

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

FEDERAL SINGLE AUDIT REPORT

OF

CITY OF SOUTH BEND

ST. JOSEPH COUNTY, INDIANA

January 1, 2015 to December 31, 2015



**FILED**  
09/15/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	John H. Murphy	01-01-15 to 12-31-16
Mayor	Pete Buttigieg	01-01-12 to 12-31-19
President of the Board of Public Works	Gary A. Gilot	01-01-15 to 12-31-16
President of the Common Council	Tim Scott	01-01-15 to 12-31-16



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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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  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE CITY OF SOUTH BEND, ST. JOSEPH 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 statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Bend (City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 15, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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 statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City's financial statements 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 a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001 that we consider to be a material weakness.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
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(Continued)

**Compliance and Other Matters**

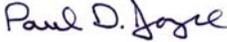
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 South Bend's Response to Finding**

The City's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

June 15, 2016



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH 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 SOUTH BEND, ST. JOSEPH COUNTY, INDIANA

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

We have audited the City of South Bend's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015. The City's major federal programs are 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 each of the City's major federal programs 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 City'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 each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH 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 Internal Control over Compliance**

Management of the City 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 City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each 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 City'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

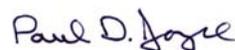
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 15, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 statements. 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 statements. The information has been subjected to the auditing procedures applied in

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

the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, 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 basic financial statements as a whole.

  
Paul D. Joyce, CPA  
State Examiner

August 2, 2016, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is June 15, 2016

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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 prepared by management of the City. The schedule and notes are presented as intended by the City.

CITY OF SOUTH BEND  
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	Identifying Number	Pass-Through To Subrecipient	Total Federal Awards Expended
<u>Department of Commerce</u>					
Economic Development Cluster					
Economic Adjustment Assistance	Direct				
Industrial Revolving Fund, Loans Outstanding		11.307	06-19-01251	\$ -	\$ 7,476,982
Total - Economic Development Cluster				-	7,476,982
Total - Department of Commerce				-	7,476,982
<u>Department of Housing and Urban Development</u>					
Community Development Block Grants/Entitlement Grants	Direct				
Neighborhood Stabilization Grant 2008		14.218	B08-MN-18-0011	-	586,584
Neighborhood Stabilization Grant 2011			B11-MN-18-0011	-	66,593
Block Grant 2014			B14-MC-18-0011	256,361	1,156,805
Block Grant 2015			B15-MC-18-0011	304,576	677,152
Total - Community Development Block Grants/Entitlement Grants				560,937	2,487,134
Emergency Solutions Grant Program	Direct				
Hearth Emergency Shelter Grant		14.231	E13-MC-18-0011	-	15,537
Hearth Emergency Shelter Grant			E14-MC-18-0011	70,535	70,535
Hearth Emergency Shelter Grant			E15-MC-18-0011	88,893	88,893
Total - Emergency Solutions Grant Program				159,428	174,965
Continuum of Care Program	Direct				
		14.267	IN0009L5H001306	-	181,352
			IN0012L5H001306	-	19,000
			IN0012L5H001407	50,078	50,078
Total - Continuum of Care Program				50,078	250,430
Fair Housing Assitance Program - State and Local	Direct				
		14.401	FF205K155014	-	59,868
Total - Fair Housing Assistance Program - State and Local				-	59,868
Total - Department of Housing and Urban Development				770,443	2,972,397
<u>Department of Justice</u>					
Project Safe Neighborhoods	Direct				
		16.609	2014-GP-BX-0002	1,681	8,543
Total - Project Safe Neighborhoods				1,681	8,543
Edward Byrne Memorial Justice Assistance Grant Program	Direct				
		16.738	12DJBX0955	18,375	46,418
			14DJBX0690	-	19,189
Total - Edward Byrne Memorial Justice Assistance Grant Program				18,375	65,607
Equitable Sharing Program	Direct				
		16.922	CY 2015	-	164,079
Total - Equitable Sharing Program				-	164,079
Total - Department of Justice				20,056	238,229
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205	A249-14-320311	-	101,225
			A249-15-320123A	-	116,048
			A249-15-320124	-	76,593
			A249-15-320126A	-	79,038
			A249-15-320127A	-	59,448
Total - Highway Planning and Construction Cluster				-	432,352
Total - Department of Transportation				-	432,352
<u>Equal Employment Opportunity Commission</u>					
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	Direct				
		30.002	ECCCN130031	-	93,639
Total - Equal Employment Opportunity Commission				-	93,639
<u>Environmental Protection Agency</u>					
Brownfields Assessment and Cleanup Cooperative Agreements	Direct				
		66.818	BF00E01371	-	108,597
Total - Environmental Protection Agency				-	108,597
Total federal awards expended				\$ 790,499	\$ 11,322,196

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

CITY OF SOUTH BEND  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City 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 the 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 City, it is not intended to and does not present the financial position of the City.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of City shall be conducted annually.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The City has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

**Note 3. Economic Adjustment Assistance, CFDA 11.307**

The OMB Circular A-133 Compliance Supplement requires that the Economic Adjustment Assistance program, CFDA 11.307, federal awards expended be reported on the Schedule of Expenditures of Federal Awards as shown below:

\$	5,227,110	12-31-15 Revolving loan fund loans outstanding
	97,800	12-31-15 Revolving loan fund land held for resale
	2,048,252	12-31-15 Revolving loan fund cash and investments
	-	Loans written off in 2015
	<u>103,820</u>	2015 Revolving loan fund administrative expenses
\$	<u>7,476,982</u>	Total (100% federal funding)

CITY OF SOUTH BEND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Economic Development Cluster	Unmodified
Highway Planning and Construction Cluster	Unmodified
Dollar threshold used to distinguish between Type A and Type B programs: \$750,000	
Auditee qualified as low-risk auditee?	no

**Section II - Financial Statement Findings**

**FINDING 2015-001 - FINANCIAL TRANSACTIONS AND REPORTING**

*Condition*

There were deficiencies in the internal control system of the City related to financial transactions and reporting of the Comprehensive Annual Financial Report (CAFR) and the Schedule of Expenditures of Federal Awards (SEFA).

The internal controls in place over the review of the CAFR were not effective in preventing, or detecting and correcting, errors in a timely manner. The following were immaterial errors:

CITY OF SOUTH BEND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Governmental Activities:

1. Deferred Outflows Related to Pensions were understated \$4,422,618.
2. General Government Expenses were understated \$2,267,878 due to a restatement of the January 1, 2015 Net Position.
3. Investments of \$235,456 were misclassified as Cash and Cash Equivalents.

Business-Type Activities:

1. Accounts Receivable Assets of the Business-type Activities were understated \$2,500,000 due to the omission of a significant account.
2. Investments of \$695,616 were misclassified as Cash and Cash Equivalents.
3. Deferred Inflows of Resources of \$335,417 were misclassified as Liabilities.

Major Funds:

1. Redevelopment Authority Debt Service fund Other Financing Sources - Premium on Refunding Debt of \$1,682,169 was misclassified as Debt Proceeds.

Other Aggregate Remaining Funds:

1. Emergency Medical Services fund (a nonmajor Enterprise Fund) Other Operation and Maintenance Expenses of \$5,730,078 were misclassified as Billing and Administrative Costs.
2. Liability Insurance Premium Reserve fund (an Internal Service fund) Operating Expenses were overstated \$1,275,683 due to a restatement of the January 1, 2015 Net Position.

Notes to the Financial Statements:

1. Notes to the Financial Statements included numerous inconsistencies with the financial information included on the face of the Financial Statements.
2. Notes to the Financial Statements did not include all disclosures required by the Governmental Accounting Standards Board.

The City did not have a proper system of internal control in place to prevent, or detect and correct, material errors on the SEFA as detailed below.

1. Federal expenditures of the Economic Adjustment Assistance program were understated \$2,250,603.
2. Federal expenditures of the Highway Planning and Construction program were overstated \$108,429.

Adjustments were proposed, accepted by the City, and made to the CAFR and the SEFA.

CITY OF SOUTH BEND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Criteria*

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

2 CFR section 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"(b) *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 section 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal 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.
- (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 section 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.

CITY OF SOUTH BEND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (6) Include notes that describe the 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 section 200.414 Indirect (F&A) costs."

*Cause*

Management had not established an effective system of internal controls that would have ensured proper reporting of the CAFR and the SEFA.

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the CAFR and SEFA could have remained undetected. The CAFR and SEFA contained the errors identified in the *Condition*.

*Views of Responsible Officials*

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

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

No matters are reportable.

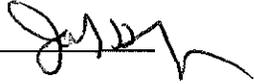
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#### AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the City. The documents are presented as intended by the City.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2014-001 – FINANCIAL TRANSACTIONS & REPORTING

Original SBA Audit Report Number: B45497  
Fiscal Year: 2014  
Auditee Contact Person: John H. Murphy   
Title of Contact Person: Controller  
Phone Number: 574-235-7678

Status of Finding:

1. Revenues: A new policy was issued during the audit and is being followed. This new policy requires that all receipts which are dropped off to the Controller's office to be verified by the person taking the funds and signed off. Also, the receipts are to note how much is issued in cash, check and credit card charges. Prenumbered receipt books are used in departments which handle large numbers of walk in payment transactions.
2. Financial Close and Reporting: 2014 was the first year the City used an outside firm to help compile the CAFR. Due to the timing of the start of the CAFR, it was hard to provide a final version of the CAFR. However, this should not occur in 2015 as the financial statements are being prepared in advance of the SBOA audit.
3. Monitoring of Controls: The controls are evaluated on an ongoing basis. Due to the new rules and requirements of internal controls, the entire system will be reviewed during 2016. However, based on our detailed review of financial statements, invoices, cash receipts and other daily transactions, we do not feel there are any major weakness in our current practices.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2014-002 – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Original SBA Audit Report Number: B45497  
Fiscal Year: 2014  
Auditee Contact Person: John H. Murphy   
Title of Contact Person: Controller  
Phone Number: 574-235-7678

Status of Finding:

Training was held with all fiscal officers and other personnel who directly work with grants during the summer of 2015 with the intention of reinforcing the importance of the grant reporting. All of the information provided by the departments for the 2015 SEFA was reviewed by our Sr. Budget Analyst and then reviewed again by our Deputy Controller. We feel these reviews and training will mitigate any further findings.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2014-003 CASH MANAGEMENT AND SPECIAL TESTS AND PROVISIONS

Original SBA Audit Report Number: B45497  
Fiscal Year: 2014  
Auditee Contact Person: John H. Murphy/Elizabeth Leonard  
Title of Contact Person: City Controller/Director of Finance-DCI  
Phone Number: 574-235-7678

Status of Finding:

As of 12/31/15, the IRF was under the 25% threshold. Although this fluctuates, DCI is diligently working on keeping below the threshold whenever reasonably possible.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2014-004 REPORTING

Original SBA Audit Report Number: B45497  
Fiscal Year 2014  
Auditee Contact Person John H. Murphy/Elizabeth Leonard  
Title of Contact Person City Controller/Director of Finance-DCI  
Phone Number 574-235-7678

Status of Finding:

The reporting issues were believed to be corrected by the 3/31/15 report to the EDA. In addition to the additional levels of internal review, there has been a change in the internal staff reporting the information. We anticipate no future issues with the new processes in place.



CITY OF SOUTH BEND PETE BUTTIGIEG, MAYOR  
**DEPARTMENT OF ADMINISTRATION AND FINANCE**

**CORRECTIVE ACTION PLAN**

***FINDING 2015-001***

Contact Person Responsible for Corrective Action: John H. Murphy  
Contact Phone Number: 574-235-7678

Views of Responsible Official:

CAFR: The City continues to improve the financial statement preparation process. There were great improvements in 2015 with regards to the way the outside firm worked with the City to prepare the 2015 CAFR. Although there were errors noted, which were subsequently corrected and included in the 2015 CAFR, the City is of the opinion that noted misstatements were not material nor would such omissions/errors have changed the opinion of the City by a reasonable user of the financial statements had these entries been omitted. The City finance team works diligently to keep the books and records of the City accurate and will continue do to so.

SEFA: We concur with the finding.

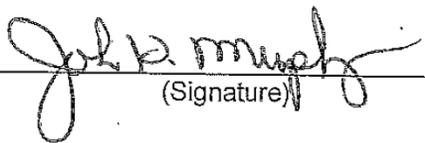
Description of Corrective Action Plan:

CAFR: In order to avoid such errors in the future, the City will continue to work with the current outside CPA firm and/or contract with another firm in order to assure that errors are caught prior to submission of the final drafts to the outside audit group. There are considerations being given to contracting with an individual who is an expert in CAFR preparation in order to avoid future errors and omissions.

SEFA: For 2017, we will have an employee dedicated to the management and reporting of grants.

Anticipated Completion Date:

Prior to the start of the 2016 audit.

  
(Signature)

City Controller

(Title)

8/2/16

(Date)

#### OTHER REPORTS

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