

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF MISHAWAKA

ST. JOSEPH COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
07/25/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Yvonne Milligan Rebecca S. Miller	01-01-13 to 05-31-13 06-01-13 to 12-31-14
Mayor	David A. Wood	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Gary E. West	01-01-13 to 12-31-14
President of the Common Council	S. Michael Compton Matt Mammolenti	01-01-13 to 12-31-13 01-01-14 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF MISHAWAKA, ST. JOSEPH COUNTY, INDIANA

This report is supplemental to our audit report of the City of Mishawaka (City), for the period from January 1, 2013 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the City. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the City, which provides our opinions on the City's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Finding, identified in the above referenced audit report, is included in this report.

Any Corrective Action Plan for the Federal Finding, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

June 10, 2014

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DEPARTMENT OF COMMUNITY DEVELOPMENT
CITY OF MISHAWAKA

DEPARTMENT OF COMMUNITY DEVELOPMENT
CITY OF MISHAWAKA
FEDERAL FINDING

**FINDING 2013-001 - REPORTING FOR COMMUNITY DEVELOPMENT
BLOCK GRANTS/ENTITLEMENT GRANTS**

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Numbers: B10MC180017, B11MC180017, B12MC180017, B13MC180017

Internal Controls

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Reporting compliance requirements that have a direct and material effect on the program. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the Reporting requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

There was no indication that anyone was responsible for preparing and submitting the required quarterly reports. An oversight or review process has not been established to ensure that required reports were submitted.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

DEPARTMENT OF COMMUNITY DEVELOPMENT
CITY OF MISHAWAKA
FEDERAL FINDING
(Continued)

Compliance

The U.S. Department of Housing and Urban Development (HUD) requires recipients of the Community Development Block Grants/Entitlement Grants (CDBG) to file several financial reports, including the SF-425 Federal Financial Report. The SF-425 is required to be filed quarterly; however, none of these reports were filed in 2013.

24 CFR 85.20 states in part:

"(b) The financial management systems of other grantees and subgrantees must meet the standards:

- (1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . ."

The failure to establish internal controls allowed material noncompliance to remain undetected. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the City.

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect on the program. We also recommended that the City prepare and submit accurate, complete, and timely reports in accordance with the U.S. Department of Housing and Urban Development's guidelines.



CITY OF MISHAWAKA

DAVID A. WOOD, MAYOR

DEPARTMENT OF COMMUNITY DEVELOPMENT

5/28/2014

Attn: Martha Harper
State Board of Accounts

CORRECTIVE ACTION PLAN

FINDING 2013-001 (Auditor Assigned Reference Number)
Contact Person Responsible for Corrective Action: David Thomas
Contact Phone Number: 574-258-1668

Description of Corrective Action Plan:

The Department of Redevelopment was made aware of the separation of duties required to effectively run the department as part of our August, 2013 HUD audit. Actions have been put into place to remedy this situation and we, as a fairly new staff, are working with Alicia Vaughn of City Consultants to insure that we have all of the necessary separation in place. Along with that, the Director, David Thomas has created new job descriptions for the department to separate duties and create a role of a Financial Analyst within the Department to keep duties separated and also to make sure that we are hitting deadlines and filling out reports in a more accurate and timely basis. Both the Director and Financial analyst will have the list of reports and deadlines in their calendar. It is the Director's job to work with the Financial Analyst to make sure that the reports are completed correctly and in a timely fashion

Furthermore, we are beginning work to complete the quarterly reports

I will attach the proposed job descriptions as exhibits to this response.

Anticipated Completion Date: Job descriptions - In process
Quarterly Reports will be complete by Friday, June 13th

(Signature)

Director of Community Development

(Title)

5/28/2014

(Date)



COMMUNITY DEVELOPMENT/REDEVELOPMENT DEPARTMENT

(Draft 4/4/2014)

A. JOB TITLE – FINANCIAL ANALYST

B. DEFINITION

Employee shall perform all accounting tasks for the department. This shall include, but not be limited to, areas such as accounts payable, accounts receivable, create claims and vouchers, and personnel records. Employee shall be responsible for all HUD data analysis and Integrated Disbursement Information System accounting. Employee shall also be responsible for assisting the State and Federal Auditors in reviewing financial records of the department.. Employee shall be responsible for the HUD Consolidated Annual Plan and Evaluation Report (CAPER) and will assist the Director in preparing and maintaining all Department budgets including HUD, Tax Incremental Finance (TIF) Districts, and City budget. Employee shall be responsible for executing and completing special projects as outlined by the Director and any other task as assigned by the Director.

C. EQUIPMENT USED

1. Computer (Must be familiar with Microsoft Word, Excel, and Access Programs)
2. Calculator
3. Other office equipment (Typewriter, phone, copier, fax, etc.)

D. JOB LOCATION

Approximately ninety percent (90%) of the job is located in an office setting at Mishawaka City Hall. Approximately ten percent (10%) of the job is conducted in the field. The field could include but shall not be limited to public meetings, civic meetings, construction coordination, site investigations, training, seminars, educational activities, as well as attendance at relevant meetings outside the community including the state legislature or other municipalities.

E. PHYSICAL REQUIREMENTS

Approximately ninety percent (90%) of the time tasks are performed seated at a desk. Approximately 10 percent (10%) of the time job duties are conducted in the field.

F. ENVIRONMENTAL / WORKING CONDITIONS

Desk work is performed in a climate controlled office setting. Field work may include exposure to all types of weather, unsanitary structures and substandard building conditions.

G. ESSENTIAL FUNCTIONS OF THE JOB

1. Manage and maintain program information, program statistics, including caseload status, program budget information, and program guidelines.
2. Recommend pay requests from programs to the Program Construction Manager for consideration of payment.
3. Perform all accounting tasks for the department for all areas including but not limited to accounts payable, accounts receivable, payroll, purchase orders, and vouchers.
4. Assist the State and Federal Auditors in reviewing financial records of the department.
5. Provide the Executive Director with monthly budget reports on various funds as well as various updates on the status of loan programs. These updates shall include balances of all existing programs.
6. Required knowledge of CDBG, HOME, and TIF programs, and any accounting procedures required as a part of that program.
7. Perform Davis-Bacon compliance and recordkeeping.
8. Oversee Department Loan servicing and monitor of completed loans.
9. Track funding sources, obligations, disbursements, and payoffs.
10. Assist Director with the preparation of all quarterly and annual reports.
11. Assist with the preparation of the CAPER.
12. Assist with HUD grant writing.

H. ADDITIONAL EXAMPLES OF WORK PERFORMED

1. Perform other tasks as assigned by the Director or City Controller.

2. Attend all Redevelopment Commission Meetings.
3. Interact with appropriate parties in the public and private sector.
4. Prepare letters, reports, and other documents as necessary.

I. REQUIRED KNOWLEDGE AND ABILITIES

1. Be proficient at financing and lending practices.
2. Familiarity with Community Development Block Grant (CDBG) and HOME Programs.
3. Proficient planning, speaking, and writing abilities.
4. Ability to work independently as needed.
5. Must have good analytical and organizational skills, good judgment, ability to maintain confidentiality.
6. Ability to be a team player and get along with others in the workplace.

J. QUALIFICATIONS

1. Bachelor's Degree required, preferably in business, accounting, or public administration, Master's Degree preferred. Direct experience managing CDBG funds may substitute for education requirements.
2. Some evening or weekend work required.
3. Experience with loan servicing preferred.

DEPARTMENT OF COMMUNITY DEVELOPMENT

FLSA Classification: Exempt

A. JOB TITLE – COMMUNITY DEVELOPMENT DIRECTOR

B. DEFINITION

Professional position appointed by the City's Redevelopment Commission. Oversees Community Development efforts within the City of Mishawaka. Responsible for working with and making recommendations to the Redevelopment Commission, Board of Public Works and Safety, Common Council and the Mayor. Responsible for executing and completing special projects and any other task as assigned by the City Planner and/or Mayor. This position reports directly to the Mayor, and has management responsibility of Community Development Staff.

C. EQUIPMENT USED

1. Computer (Must be familiar with Microsoft Word, Excel, Access, GMS, IDIS software)
2. Other office equipment (calculator, phone, copier, fax, etc.)

D. JOB LOCATION

Approximately eighty percent (80%) of the job is located in an office setting. Approximately twenty percent (20%) of the job is conducted in the field. This includes, but is not be limited to, public meetings, civic meetings, site investigations, educational activities, as well as attendance at meetings outside the community.

E. PHYSICAL REQUIREMENTS

Approximately eighty percent (80%) of the time tasks are performed seated at a desk. Approximately twenty percent (20%) of the time job duties are conducted in the field. Must be able to lift 40 lbs unassisted.

F. ENVIRONMENTAL / WORKING CONDITIONS

Desk work is performed in a climate controlled office setting. Field work may include exposure to all types of weather, unsanitary structures and substandard building conditions.

G. ESSENTIAL FUNCTIONS OF THE JOB

1. Oversee and approve all HUD-funded activities.
2. Present monthly reports to the Redevelopment Commission.
3. Review and approve all accounting tasks for the department completed by Bookkeeper, including but not limited to, loan servicing, bond servicing, accounts payable and receivable, payroll, purchasing and off-street parking.
4. Monitor Davis-Bacon compliance and recordkeeping with assistance of construction manager.
5. Submit the HUD Consolidated Annual Plan and Evaluation Report (CAPER).
6. Assist City Planner in preparing and maintaining all Department budgets including HUD, Tax Incremental Finance (TIF) Districts and City budgets.
7. Report to HUD as required.
8. Complete grant applications for Department activities.
9. Approve data entered in Integrated Disbursement Information System (IDIS) accounting.
10. Create and/or update Department policies and procedures.
11. Ensure compliance with all applicable Community Development Block Grant (CDBG) and HOME rules and regulations.
12. Coordinate the Commercial Façade Loan program.
13. Manage Community Development Staff.
14. Maintain relationships with public service agencies, sub-recipients, and local service clubs

15. Perform regular presentations about the City's Community Development projects to public service agencies.
16. Completes all other duties as assigned by the Mayor and/or City Planner.
17. Serve on local Boards and Commissions at the direction of the Mayor and City Planner

H. ADDITIONAL EXAMPLES OF WORK PERFORMED

1. Interact with appropriate parties in the public and private sector.
2. Maintain exceptional customer service.
3. Make presentations as required.

I. REQUIRED KNOWLEDGE AND ABILITIES

1. Familiarity with federal programs and other local human service programs and providers.
2. Professional writing and verbal communication skills.
3. Work experience in the public sector preferred.
4. Good analytical and organizational skills, good judgment and ability to maintain confidentiality.
5. Ability to read, understand and interpret complex instructions / regulations, legal documents and legislation.
6. Ability to read construction drawings.
7. Ability to work independently as needed.
8. Ability to be a team player and get along with others in the workplace.

J. QUALIFICATIONS

1. Bachelor's Degree required; Master's Degree preferred.
2. 3-5 years work experience with Community Development Programs preferred.
3. Some evening or weekend work required.
4. Valid driver's license required.

Employee Signature

Date

Department Manager

Date

Revised 4/4/2014

DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT

FLSA Classification: Non-Exempt

A. JOB TITLE -- PROGRAM COORDINATOR

B. DEFINITION

Manages CDBG and HOME-funded programs for the Department including, but not limited to, the First-Time Homebuyer, Self-Sufficiency, Owner-Occupied Home Rehabilitation, Summer of Service programs and Sub-grantee Recipients. Reports to and is supervised by the Community Development Director. Performs duties at a high level of independent judgment.

C. EQUIPMENT USED

1. Computer (Must be familiar with Microsoft Word, Excel, and Access Programs)
2. Calculator
3. Other office equipment (Typewriter, phone, copier, fax, etc.)

D. JOB LOCATION

Approximately ninety percent (90%) of the job is located in an office setting at Mishawaka City Hall. Approximately ten percent (10%) of the job is conducted in the field. The field could include but shall not be limited to public meetings, civic meetings, construction coordination, site investigations, training, seminars, educational activities, as well as attendance at relevant meetings outside the community including the state legislature or other municipalities.

E. PHYSICAL REQUIREMENTS

Approximately ninety percent (90%) of the time tasks are performed seated at a desk. Approximately 10 percent (10%) of the time job duties are conducted in the field.

F. ENVIRONMENTAL / WORKING CONDITIONS

Desk work is performed in a climate controlled office setting. Field work may include exposure to all types of weather, unsanitary structures and substandard building conditions.

G. ESSENTIAL FUNCTIONS OF THE JOB

1. Coordinate all CDBG and HUD programs.
2. Manage Sub-Recipient clients.
3. Conduct field monitoring for Sub-grantee's on a yearly basis.
4. Act as liaison between Homebuyer program participants and their builders and lenders.
5. Coordinate loan closings and subsidy requests.
6. Maintain up to date loan records on a daily basis in GMS loan servicing software
7. Conduct quarterly OHAR interviews and maintain OHAR spreadsheet for Director's review and Submittal.
8. Conduct intake, evaluation and income verification to qualify clients for Department programs such as the First Time Homebuyer Program, Self-Sufficiency Program, and Summer of Service Program.
9. Coordinate HUD approved training programs for clients pre and post-purchase homeownership.
10. Prepare HUD reports for HOME program.
11. Assists in creating presentations for Department and Director as needed.
12. Assists construction Manager with preparing documents and bid packets for demolition bids.
13. Assist the Community Development Director with Redevelopment Commission activities, i.e. attend Redevelopment Commission Meetings, records and transcribes minutes and attends public events as necessary.

14. Answers phones for the Department and assists other departments with phone duty, as needed.
15. Performs all filing for HUD, HOME, TIF, and other department documents. Assist other departments with filing as needed.

H. ADDITIONAL EXAMPLES OF WORK PERFORMED

1. Interact with appropriate parties in the public and private sector.
2. Make presentations as required.
3. Attend related training courses.

I. REQUIRED KNOWLEDGE AND ABILITIES

1. Familiarity with federal programs, (including HUD, HOME, etc.), mortgage and loan servicing and other local human service programs and providers, or willingness to attend training to gain familiarity for such programs.
2. Professional writing and verbal communication skills.
3. Work experience in the public sector preferred.
4. Must have good analytical and organizational skills, good judgment and ability to maintain confidentiality.
5. Ability to read, understand and interpret complex instructions / regulations, legal documents and legislation.
6. Ability to review construction drawings.
7. Ability to work independently as needed.
8. Ability to be a team player and get along with others in the workplace.

J. QUALIFICATIONS

1. Bachelor's Degree preferred but not required
2. Some evening or weekend work required.
3. Valid driver's license required.

Employee Signature

Date

Department Manager

Date

Revised Draft 4/4/2014



DEPARTMENT OF COMMUNITY DEVELOPMENT
CITY OF MISHAWAKA
EXIT CONFERENCE

The contents of this report were discussed on June 10, 2014, with Rebecca S. Miller, Controller; David A. Wood, Mayor; and James M. Schrader, Utilities General Manager.