

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF UNION CITY

RANDOLPH COUNTY, INDIANA

January 1, 2013 to December 31, 2013



**FILED**  
08/04/2014



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#### SCHEDULE OF OFFICIALS

| <u>Office</u>  | <u>Official</u>                   | <u>Term</u>                                  |
|--|-----------------------------------|--|
| Clerk-Treasurer                                      | Anita M. Amspaugh                 | 01-01-12 to 12-31-15                         |
| Mayor  | Bryan K. Conklin                  | 01-01-12 to 12-31-15                         |
| President of the Board of<br>Public Works and Safety | Bryan K. Conklin                  | 01-01-12 to 12-31-15                         |
| President Pro Tempore of the<br>Common Council       | Timothy L. Heuss<br>Ron Holt, Jr. | 01-01-13 to 12-31-13<br>01-01-14 to 12-31-14 |
| City Manager   | Monte G. Poling                   | 01-01-13 to 12-31-14                         |
| City Court Judge                                     | Honorable Linda D. Wilcox         | 01-01-12 to 12-31-15                         |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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TO: THE OFFICIALS OF THE CITY OF UNION CITY, RANDOLPH COUNTY, INDIANA

This report is supplemental to our audit report of the City of Union City (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 and Audit Results and Comments 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/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Result and Comment as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Result and Comment contained herein describes the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

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

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

June 17, 2014

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CLERK-TREASURER  
CITY OF UNION CITY

CLERK-TREASURER  
CITY OF UNION CITY  
FEDERAL FINDINGS

***FINDING 2013-001 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO BROWNFIELDS ASSESSMENT AND CLEANUP COOPERATIVE AGREEMENTS***

Federal Agency: Environmental Protection Agency

Federal Program: ARRA - Brownfields Assessment and Cleanup Cooperative Agreements, Recovery Act  
CFDA Number: 66.818

Federal Award Number and Year (or Other Identifying Number): 00E01071

Pass-Through Entity: Indiana Development of Environmental Management

Management of the City has not established an effective internal control system, including a lack of segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Procurement, Suspension, and Debarment. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance 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 grant.

The controls in place for Procurement, Suspension, and Debarment were not effective. The contract with Soil and Materials Engineers did not contain a required clause with the grant requirements for Procurement, Suspension, and Debarment. This error was not detected by the City.

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, or 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."

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance of the grant agreement or the compliance requirements that have a direct and material effect to 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 compliance requirements noted above that have a direct and material effect to the program.



CLERK-TREASURER  
CITY OF UNION CITY  
FEDERAL FINDINGS  
(Continued)

***FINDING 2013-002 - NON-COMPLIANCE WITH RESPECT TO THE BROWFIELDS  
ASSESSMENT AND CLEANUP COOPERATIVE AGREEMENTS***

Federal Agency: Environmental Protection Agency  
Federal Program: ARRA - Brownfields Assessment and Cleanup Cooperative Agreement, Recovery Act  
CFDA Number: 66.818  
Federal Award Number and Year (or Other Identifying Number): 00E01071  
Pass-Through Entity: Indiana Department of Environmental Management

The City did not verify that Soil and Materials Engineers was not a suspended or debarred party prior to entering into a contract with them. Additionally, the contract with Soil and Materials Engineers did not include a clause indicating that they could not be suspended, debarred, or otherwise excluded from participation in federal assistance programs.

40 CFR 31.315 states:

"Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, 'Debarment and Suspension.'"

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the EPLS; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Noncompliance with the grant requirements could result in a loss of federal funding.

We recommended that the City ensure all contractors with which they do business are not suspended, debarred, or otherwise excluded from participation in federal assistance programs.

**CORRECTIVE ACTION PLAN**

Date: June 17, 2014  
Responsible Party: Anita M. Amspaugh  
Anticipated Completion: October 1, 2014  
Finding: 2013-001

Bryan Conklin  
Mayor

Anita Amspaugh  
Clerk/Treasurer

Ron Holt, Jr.  
Roger Hoover  
Jim Hufford  
Tim Heuss  
Chad Spence  
Council Members

Cobie Wells  
Chief of Police

Steve Shoemaker  
Fire Chief

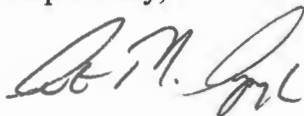
Ryan Prinkey  
City Attorney

Monte Poling  
City Manager

Ph: 765-964-6534  
Fax 765-964-7031  
[www.myunioncity.com](http://www.myunioncity.com)

The City of Union City is currently working on a proper system of internal control to prevent or detect and correct errors in compliance requirements that have a direct and material effect to brownfields assessment and clean up cooperative agreements. The City of Union City has adopted a check list to complete showing that all compliance requirements have been met before a grant can be administered. The City of Union City is aware there should be compliance requirements in place and that, without a proper system of internal control, omissions to the requirements could remain undetected.

Respectfully,



Anita M. Amspaugh  
Clerk-Treasurer  
City of Union City

**CORRECTIVE ACTION PLAN**

Date: June 17, 2014  
Responsible Party: Anita M. Amspaugh  
Anticipated Completion: October 1, 2014  
Finding: 2013-002

Bryan Conklin  
Mayor

Anita Amspaugh  
Clerk/Treasurer

Ron Holt, Jr.  
Roger Hoover  
Jim Hufford  
Tim Heuss  
Chad Spence  
Council Members

Cobie Wells  
Chief of Police

Steve Shoemaker  
Fire Chief

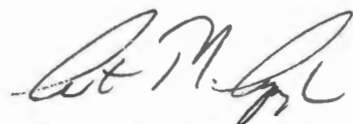
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Respectfully,



Anita M. Amspaugh  
Clerk-Treasurer  
City of Union City

CLERK-TREASURER  
CITY OF UNION CITY  
EXIT CONFERENCE

The contents of this report were discussed on June 17, 2014, with Anita M. Amspaugh, Clerk-Treasurer; Bryan K. Conklin, Mayor; Monte G. Poling, City Manager; Jeanette Walker, Deputy Clerk; and Ron Holt, Jr., President Pro Tempore of the Common Council.

CITY COURT  
CITY OF UNION CITY

CITY COURT  
CITY OF UNION CITY  
AUDIT RESULT AND COMMENT

***COURT CLERK'S TRUST ITEMS OVER FIVE YEARS OLD***

Our review of trust items on hand revealed that many items had been on hand for a period of five years or longer. The Court has not maintained a Trust Ledger since at least 2005. There were trust items on hand over five years in 2006 and there have not been any remittances to the Attorney General as of December 31, 2013. The Court Clerk has not implemented policies and procedures for reporting unclaimed property and remitting that property to the Attorney General after the five year holding period.

Indiana Code 32-34-1-20(c) states in part:

"Property that is held, issued, or owed in the ordinary course of a holder's business is presumed abandoned if the owner or apparent owner has not communicated in writing with the holder concerning the property or has not otherwise given an indication of interest in the property during the following times: . . .

- (6) For property or proceeds held by a court or a court clerk, five (5) years after the property or proceeds become distributable. The property or proceeds must be treated as unclaimed property under IC 32-34-3."

Indiana Code 32-34-1-26(a) states: "A holder of property that is presumed abandoned and that is subject to custody as unclaimed property under this chapter shall report in writing to the attorney general concerning the property. Items of value of less than fifty dollars (\$50) may be reported by the holder in the aggregate."

Indiana Code 32-34-1-27(a) states: "Except as provided in subsections (b) and (c), on the date a report is filed under section 26 of this chapter, the holder shall pay or deliver to the attorney general the property that is described in the report as unclaimed."

CITY COURT  
CITY OF UNION CITY  
EXIT CONFERENCE

The contents of this report were discussed on June 17, 2014, with Honorable Linda D. Wilcox, City Court Judge, and Ron Holt, Jr., President Pro Tempore of the Common Council.