

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF GARY
LAKE COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
09/30/2014

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	10-12
Notes to Financial Statement	13-18
Supplementary Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	20-46
Schedule of Payables and Receivables	47
Schedule of Leases and Debt	48
Schedule of Capital Assets.....	49
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance.....	52-54
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards.....	56-57
Notes to Schedule of Expenditures of Federal Awards	58
Schedule of Findings and Questioned Costs	59-75
Auditee Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	78-97
Corrective Action Plan	98-110
Other Report	111

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	M. Celita Green	01-01-13 to 12-31-14
Mayor	Karen Freeman-Wilson	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Delvert Cole Niquelle Allen	01-01-13 to 02-26-13 02-27-13 to 12-31-14
President of the Common Council	Kyle W. Allen, Sr.	01-01-13 to 12-31-14
Executive Director of the Sanitary and Storm Water Management Districts	Daniel F. Vicari	01-01-13 to 12-31-14
President of the Boards of Sanitary and Storm Water Commissioners	Richard J. Comer Nelson Tinsley Richard J. Comer	01-01-13 to 03-03-14 03-04-14 to 04-07-14 04-08-14 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF GARY, LAKE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Gary (City), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2013.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 9, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.


Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. 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 statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, 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 financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.


Paul D. Joyce, CPA
State Examiner

September 9, 2014



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE CITY OF GARY, LAKE 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 statement of the City of Gary (City), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated September 9, 2014, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, 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 statement, 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.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City's financial statement is 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 2013-001.

City of Gary's Response to Findings

The City's response to the findings 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 statement 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

September 9, 2014

(This page intentionally left blank.)

FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF GARY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2013

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
General	\$ (6,808,472)	\$ 68,370,873	\$ 65,598,444	\$ (4,036,043)
Motor Vehicle Highway	212,592	2,414,164	2,413,236	213,520
Local Road and Street	108,612	914,604	1,022,811	405
Law Enforcement Continuing Ed	160,961	89,910	60,603	190,268
Unsafe Building	163,336	54,341	117,069	100,608
Riverboat	1,239,218	27,318,021	23,652,497	4,904,742
Parks and Recreation	2,637	939,130	941,198	569
Cumulative Capital Development	330,367	160,657	39,543	451,481
Cumulative Capital Improvement	29,872	215,550	169,668	75,754
Self-Insurance	271,586	10,812,455	11,798,634	(714,593)
Police Pension	1,298,618	6,875,489	7,152,773	1,021,334
Fire Pension	2,718,574	6,181,850	6,675,276	2,225,148
J-Pit/Landfill Management	82,478	103,392	-	185,870
Geminus Grant	6,573	21,334	16,403	11,504
FireFighter Safer Grant	(279,912)	1,347,121	1,317,699	(250,490)
Note Reserve (8.5 Million)	2,000,497	452	-	2,000,949
Bond Revenue	11,171,951	1,070	601,204	10,571,817
Metro Center	1,934	211,303	211,716	1,521
Regional Development Authority	-	3,500,000	3,500,000	-
ARRA Public Works	1	2,034	-	2,035
2012 Genesis Center Renovation	1,473,517	533,639	1,677,960	329,196
Equipment Fund	-	711,181	464,602	246,579
Equipment Lease Reserve	-	437,929	102,929	335,000
Lets Move Project	3,666	3,613	2,441	4,838
Fire Department Equipment	1,836	-	1,575	261
Department of Commerce	11,586	207	-	11,793
Cops Technology	82,949	31	56,105	26,875
Note Repayment	-	2,410,262	2,410,262	-
Narcotics Vice	9,180	-	-	9,180
Health Radon Gas	4,011	-	-	4,011
Gun Buy Back	3,500	-	-	3,500
Law Non-reverting	14,989	109,381	74,236	50,134
Fair Housing	11,205	33,615	43,947	873
TIF Bond Reserve	450,000	410,000	-	860,000
2012 Note Payment	-	888,697	888,697	-
Equipment Lease	-	2,848,000	2,619,766	228,234
Casino Capital	-	6,345	-	6,345
Inspection Program	-	419,605	58,163	361,442
WCI/UCI Benefit	-	1,055,822	1,055,822	-
Public Health Program	-	17,767	17,767	-
Elimination of Disparities	-	493,421	462,714	30,707
Safe Route Plan	-	13,395	-	13,395
Sheraton Unsafe Building	-	1,000,000	-	1,000,000
Green Urbanism	-	15,621	-	15,621
Ambulance/Ems Nonreverting	(822,138)	886,243	9,292	54,813
Protective Services Grant I	(1,033,929)	-	-	(1,033,929)
Protective Services Grant II	55,087	116,988	123,061	49,014
Equal Opportunity Commission HR	2,036	63,950	46,558	19,428
Tourism Project	49,991	43,011	4,650	88,352
Youth Services Bureau	228,239	127,120	131,474	223,885
Home Program	7,107	1,563,353	1,564,560	5,900
Emergency Shelter Grant	108	163,919	157,801	6,226
Brownfield	260,790	-	170,079	90,711
Healthy Families	12,776	3,745	10,359	6,162
Marquette Park	3,983	230,882	222,221	12,644
Gleason Golf Course	9,701	167,891	177,591	1
Emergency Shelter	(464,782)	522,023	453,926	(396,685)
Comprehensive Community Program	58,326	42,622	75,093	25,855
Landfill Closure	101,043	36,313	45,761	91,595
Landfill Trust	1,220,962	1	-	1,220,963
Solid Waste Recycling Project	249,187	451,345	523,299	177,233
Environmental Management	13,586	-	-	13,586
Health and Human Services	(451,910)	678,167	629,899	(403,642)
Supplemental Adult Probation Svcs	122,153	96,867	135,064	83,956
Gary Health Department Rental	8,216	3,299	4,160	7,355
Park Nonreverting	4,362	125,766	125,918	4,210
Vehicle Auction	46,948	21,608	68,553	3

The notes to the financial statement are an integral part of this statement.

CITY OF GARY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
Bioterrorism	(8,678)	47,803	57,227	(18,102)
Community Development Block Grant	159,702	3,525,932	3,462,416	223,218
Redevelopment Operating	52,919	119,058	160,191	11,786
Summer Jobs Training Program	8,776	-	-	8,776
Fair Housing Project	51,548	33,334	51,129	33,753
Genesis Civic Center	8	316	-	324
Media	389,402	483,718	532,945	340,175
Clerk Perpetuation	14,796	19,494	21,726	12,564
Genesis Center Operating	19,666	561,211	560,427	20,450
Leased Properties - Gary Bldg Corp.	(500,922)	79,588	-	(421,334)
State Air Grant	10,739	-	10,088	651
Hazardous Material	5,969	41,915	-	47,884
Economic Development Bond Comm	14,838	22	60	14,800
Alcohol And Drug Treatment	56,674	-	50,239	6,435
New Birth Grant	22	-	-	22
Remote Encoding Center	181,466	-	160,758	20,708
Mayor Donations	1,547	18,272	19,385	434
Lakefront Development	1,082,441	-	-	1,082,441
Social Services	1,596	2,713	2,210	2,099
Special Events	14,754	17,995	2,239	30,510
City Council Donations	6,983	-	6,538	445
Special Project Donations	307	-	232	75
Economic Development Trust	495,336	7,914	191,639	311,611
Community Development Loan Program	16,058	-	240	15,818
Police Donations	1,355	14,085	4,592	10,848
Weed and Seed	9,203	-	-	9,203
Welfare Excess	6,369	7	112	6,264
Human Relations	2,000	-	-	2,000
CMAQ Vehicles	5,361	444,698	234,000	216,059
Hope VI Pilot	102,465	79,243	28,400	153,308
Energy Efficient	515,977	-	514,879	1,098
HPRP	1	-	1	-
Filming Fees	5,100	3,538	-	8,638
CHRP	63,198	289,850	289,850	63,198
Neighborhood Stabilization Program	9,472	2,508,864	2,444,574	73,762
Lead Base Paint Hazard Control Grant	76,468	-	19,601	56,867
Grand Trunk Corp	1,045,017	76,876	1,121,893	-
Redevelopment Bond	999,864	496	-	1,000,360
2007 Multi Purpose Revenue Bonds	23,267	179	2,135	21,311
2007 GO Judgment Funding Bonds	520,841	951,929	888,891	583,879
Baseball Maintenance	-	150,000	149,999	1
Grant/Buchanan Street Project	106,070	-	63,056	43,014
Park Construction	6,988	3,000	-	9,988
Clean Up/Beautification	617	-	323	294
911 Equipment	494	-	-	494
Small Farms TIF District	100,111	145,000	180,283	64,828
Consolidated Area TIF District	796,532	990,557	1,268,239	518,850
Lakefront TIF District	5,905,322	1,858,543	3,751,620	4,012,245
TIF Replacement	73,071	-	-	73,071
Marquette Renovation	27,355	6,549,143	6,575,514	984
Lady Liberty Restoration	422	20	-	442
GUEA Properties	2,642	-	-	2,642
Downtown Mall TIF District	67,525	-	35,562	31,963
Madison Avenue TIF District	576,694	73,678	190,680	459,692
Washington Manor TIF District	16,886	-	-	16,886
Consolidated Area Exp TIF District	102,441	250,126	3,068	349,499
Midwest Center TIF District	418,214	-	-	418,214
Lancaster Dusable TIF District	-	29,081	29,081	-
Fema Grant - Fire Department	1,538	251,774	250,807	2,505
Joint Public Safety Training	19,006	2,500	17,965	3,541
Dalton Arms TIF District	48,245	314,402	271,665	90,982
County Market TIF District	340,539	473,988	585,038	229,489
SR 912 No. 1 TIF District	15,757	-	-	15,757
SR 912 No. 2 TIF District	172,009	-	-	172,009
Kenney's Ribs TIF District	133,749	-	133,749	-
Fire Capital Equipment	16,198	816	-	17,014
Gary City Center Allocation Area	35,497	-	-	35,497

The notes to the financial statement are an integral part of this statement.

CITY OF GARY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
Truck City Of Gary Allocation Area	116,208	181,354	130,465	167,097
Payroll	4,707	-	-	4,707
County Health	1,543	6,335	6,298	1,580
Empowerment Zone	39	342,780	332,250	10,569
Empowerment Zone Revolving	6,498	327,452	329,818	4,132
Microloan	5,323	600	5,000	923
Empowerment Zone SBA Microloan	661	37,193	37,647	207
Empowerment Zone SBA Loss Reserve	2,376	-	2,000	376
City Clerk - Civil Division	5,818	95,329	89,178	11,969
City Clerk - Criminal Division	1,086,033	1,485,026	1,366,953	1,204,106
Miscellaneous Refunds	16,215	33	-	16,248
Redevelopment Depository Trust	169,042	6,077	84,292	90,827
Withholdings	901,201	23,705,494	24,452,976	153,719
Supplemental Public Defender	45,019	13,505	-	58,524
LEDC - Empowerment Zone	257	629	-	886
Confiscated Property	234,980	19,328	47,067	207,241
Salary Fee Judicial	13,032	38,904	31,975	19,961
Gary Storm Water Management District (GSWMD)	1,671,832	2,723,072	1,149,083	3,245,821
GSDWM E. Ridge Road Project	127,623	175,430	260,132	42,921
GSD Long Lake Water	56,633	-	-	56,633
GSD WWTP General Operating	2,953,560	28,272,907	28,231,118	2,995,349
GSD Bond And Interest	1,809,177	3,226,144	3,182,986	1,852,335
GSD Sewer Construction	31,161	128,053	132,000	27,214
GSD Sewer Operating	95,322	27	-	95,349
GSD Solid Waste Disposal	99,803	5,838,003	5,493,613	444,193
GSD Debt Service	3,494,010	1,760,515	2,820,130	2,434,395
GSD Grand Calumet Sedimentation	3,496,805	3,494	-	3,500,299
GSD Debt Service Reserve	1,842,729	300,024	50	2,142,703
GSD Equipment Replacement	4,857,375	2,661,463	345,386	7,173,452
GSD/WREP Economic Development	1,981	-	-	1,981
GSD Beach Sampling	28,780	39,225	-	68,005
GSD E Coli	88,260	26,208	-	114,468
	<u>88,260</u>	<u>26,208</u>	<u>-</u>	<u>114,468</u>
Totals	<u>\$ 52,169,534</u>	<u>\$ 238,123,676</u>	<u>\$ 232,780,762</u>	<u>\$ 57,512,448</u>

The notes to the financial statement are an integral part of this statement.

CITY OF GARY
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF GARY
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

CITY OF GARY
NOTES TO FINANCIAL STATEMENT
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

CITY OF GARY
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capitol Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

CITY OF GARY
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

C. 1937 Firefighters' Pension Plan

Plan Description

The 1937 Firefighters' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

CITY OF GARY
NOTES TO FINANCIAL STATEMENT
(Continued)

D. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capitol Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of reimbursable grants that have made expenditures but not yet been reimbursed from the grant.

Also, the General fund may carry a deficit cash balance for expenses that have been incurred, but transfers not yet made due to the cash not being available. General fund deficit balances are related to property taxes or Casino revenues not collected as anticipated.

Note 8. Subsequent Events

The City closed on One Year Special Tax Revenue Bond Anticipation Notes on May 15, 2014, for \$13,215,048. The funds will be used to pay expenses for medical claims and judgments, utility and operating expenses, loan repayments to Gary Sanitary District, General fund deficit, and Infrastructure Project fund.

Note 9. Other Postemployment Benefits

The City provides to eligible retirees and their spouses Health, Dental, Vision, and Life Insurance to the age of 65, when they are eligible for Medicare. These benefits pose a liability to the City for this year and in future years. Information regarding the benefits can be obtained by contacting the City.

SUPPLEMENTARY INFORMATION - UNAUDITED

For additional financial information, the City's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	General	Motor Vehicle Highway	Local Road and Street	Law Enforcement Continuing Ed	Unsafe Building	Riverboat	Parks and Recreation
Cash and investments - beginning	\$ (6,808,472)	\$ 212,592	\$ 108,612	\$ 160,961	\$ 163,336	\$ 1,239,218	\$ 2,637
Receipts:							
Taxes	24,938,251	-	-	-	-	-	466,800
Licenses and permits	969,378	-	-	21,960	-	-	-
Intergovernmental	3,008,715	2,410,853	914,604	-	-	27,067,787	49,268
Charges for services	17,189	-	-	37,642	-	-	57,823
Fines and forfeits	1,184,190	-	-	28,838	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	38,253,150	3,311	-	1,470	54,341	250,234	365,239
Total receipts	<u>68,370,873</u>	<u>2,414,164</u>	<u>914,604</u>	<u>89,910</u>	<u>54,341</u>	<u>27,318,021</u>	<u>939,130</u>
Disbursements:							
Personal services	39,641,972	790,182	42,578	-	-	-	515,770
Supplies	1,124,884	145,353	855,981	6,220	-	-	15,213
Other services and charges	7,219,925	1,423,701	50,197	15,904	117,069	17,699,342	117,748
Debt service - principal and interest	14,021,709	-	-	-	-	-	292,467
Capital outlay	27,542	-	20,055	38,479	-	42,893	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	3,562,412	54,000	54,000	-	-	5,910,262	-
Total disbursements	<u>65,598,444</u>	<u>2,413,236</u>	<u>1,022,811</u>	<u>60,603</u>	<u>117,069</u>	<u>23,652,497</u>	<u>941,198</u>
Excess (deficiency) of receipts over disbursements	<u>2,772,429</u>	<u>928</u>	<u>(108,207)</u>	<u>29,307</u>	<u>(62,728)</u>	<u>3,665,524</u>	<u>(2,068)</u>
Cash and investments - ending	<u>\$ (4,036,043)</u>	<u>\$ 213,520</u>	<u>\$ 405</u>	<u>\$ 190,268</u>	<u>\$ 100,608</u>	<u>\$ 4,904,742</u>	<u>\$ 569</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Cumulative Capital Development	Cumulative Capital Improvement	Self-Insurance	Police Pension	Fire Pension	J-Pit/Landfill Management	Geminus Grant
Cash and investments - beginning	\$ 330,367	\$ 29,872	\$ 271,586	\$ 1,298,618	\$ 2,718,574	\$ 82,478	\$ 6,573
Receipts:							
Taxes	54,866	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	5,791	215,550	-	4,875,489	4,668,531	-	-
Charges for services	-	-	-	-	-	103,392	-
Fines and forfeits	-	-	-	-	-	-	21,334
Utility fees	-	-	-	-	-	-	-
Other receipts	100,000	-	10,812,455	2,000,000	1,513,319	-	-
Total receipts	160,657	215,550	10,812,455	6,875,489	6,181,850	103,392	21,334
Disbursements:							
Personal services	-	-	11,785,522	92,078	399,351	-	12,744
Supplies	-	-	-	-	224	-	382
Other services and charges	39,543	52,359	3,224	7,044,095	6,263,286	-	3,277
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	117,309	-	16,600	12,415	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	9,888	-	-	-	-
Total disbursements	39,543	169,668	11,798,634	7,152,773	6,675,276	-	16,403
Excess (deficiency) of receipts over disbursements	121,114	45,882	(986,179)	(277,284)	(493,426)	103,392	4,931
Cash and investments - ending	\$ 451,481	\$ 75,754	\$ (714,593)	\$ 1,021,334	\$ 2,225,148	\$ 185,870	\$ 11,504

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	FireFighter Safer Grant	Note Reserve (8.5 Million)	Bond Revenue	Metro Center	Regional Development Authority	ARRA Public Works	2012 Genesis Center Renovation
Cash and investments - beginning	\$ (279,912)	\$ 2,000,497	\$ 11,171,951	\$ 1,934	\$ -	\$ 1	\$ 1,473,517
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	1,347,121	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	452	1,070	211,303	3,500,000	2,034	533,639
Total receipts	<u>1,347,121</u>	<u>452</u>	<u>1,070</u>	<u>211,303</u>	<u>3,500,000</u>	<u>2,034</u>	<u>533,639</u>
Disbursements:							
Personal services	1,317,699	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	43,185	-	-	-	469,121
Debt service - principal and interest	-	-	-	-	3,500,000	-	-
Capital outlay	-	-	558,019	-	-	-	798,839
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	211,716	-	-	410,000
Total disbursements	<u>1,317,699</u>	<u>-</u>	<u>601,204</u>	<u>211,716</u>	<u>3,500,000</u>	<u>-</u>	<u>1,677,960</u>
Excess (deficiency) of receipts over disbursements	<u>29,422</u>	<u>452</u>	<u>(600,134)</u>	<u>(413)</u>	<u>-</u>	<u>2,034</u>	<u>(1,144,321)</u>
Cash and investments - ending	<u>\$ (250,490)</u>	<u>\$ 2,000,949</u>	<u>\$ 10,571,817</u>	<u>\$ 1,521</u>	<u>\$ -</u>	<u>\$ 2,035</u>	<u>\$ 329,196</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Equipment Fund	Equipment Lease Reserve	Lets Move Project	Fire Department Equipment	Department of Commerce	Cops Technology	Note Repayment
Cash and investments - beginning	\$ -	\$ -	\$ 3,666	\$ 1,836	\$ 11,586	\$ 82,949	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	<u>711,181</u>	<u>437,929</u>	<u>3,613</u>	<u>-</u>	<u>207</u>	<u>31</u>	<u>2,410,262</u>
Total receipts	<u>711,181</u>	<u>437,929</u>	<u>3,613</u>	<u>-</u>	<u>207</u>	<u>31</u>	<u>2,410,262</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	1,510	22	-	-	-
Other services and charges	1,500	-	931	1,553	-	-	-
Debt service - principal and interest	386,226	-	-	-	-	-	2,410,262
Capital outlay	-	-	-	-	-	15,394	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	<u>76,876</u>	<u>102,929</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,711</u>	<u>-</u>
Total disbursements	<u>464,602</u>	<u>102,929</u>	<u>2,441</u>	<u>1,575</u>	<u>-</u>	<u>56,105</u>	<u>2,410,262</u>
Excess (deficiency) of receipts over disbursements	<u>246,579</u>	<u>335,000</u>	<u>1,172</u>	<u>(1,575)</u>	<u>207</u>	<u>(56,074)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 246,579</u>	<u>\$ 335,000</u>	<u>\$ 4,838</u>	<u>\$ 261</u>	<u>\$ 11,793</u>	<u>\$ 26,875</u>	<u>\$ -</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Narcotics Vice	Health Radon Gas	Gun Buy Back	Law Non-reverting	Fair Housing	TIF Bond Reserve	2012 Note Payment
Cash and investments - beginning	\$ 9,180	\$ 4,011	\$ 3,500	\$ 14,989	\$ 11,205	\$ 450,000	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	33,615	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	109,381	-	410,000	888,697
Total receipts	-	-	-	109,381	33,615	410,000	888,697
Disbursements:							
Personal services	-	-	-	-	3,230	-	-
Supplies	-	-	-	-	2,373	-	-
Other services and charges	-	-	-	74,236	38,344	-	-
Debt service - principal and interest	-	-	-	-	-	-	888,697
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	-	-	74,236	43,947	-	888,697
Excess (deficiency) of receipts over disbursements	-	-	-	35,145	(10,332)	410,000	-
Cash and investments - ending	\$ 9,180	\$ 4,011	\$ 3,500	\$ 50,134	\$ 873	\$ 860,000	\$ -

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Equipment Lease	Casino Capital	Inspection Program	WCI/UCI Benefit	Public Health Program	Elimination of Disparities
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	6,345	-	-	17,767	444,169
Charges for services	-	-	403,775	-	-	-
Fines and forfeits	-	-	15,830	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	2,848,000	-	-	1,055,822	-	49,252
Total receipts	<u>2,848,000</u>	<u>6,345</u>	<u>419,605</u>	<u>1,055,822</u>	<u>17,767</u>	<u>493,421</u>
Disbursements:						
Personal services	-	-	-	1,055,822	1,739	350,695
Supplies	-	-	1,765	-	9,985	2,582
Other services and charges	-	-	56,398	-	6,043	109,427
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	2,619,766	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	10
Total disbursements	<u>2,619,766</u>	<u>-</u>	<u>58,163</u>	<u>1,055,822</u>	<u>17,767</u>	<u>462,714</u>
Excess (deficiency) of receipts over disbursements	<u>228,234</u>	<u>6,345</u>	<u>361,442</u>	<u>-</u>	<u>-</u>	<u>30,707</u>
Cash and investments - ending	<u>\$ 228,234</u>	<u>\$ 6,345</u>	<u>\$ 361,442</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,707</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Safe Route Plan	Sheraton Unsafe Building	Green Urbanism	Ambulance/Ems Nonreverting	Protective Services Grant I	Protective Services Grant II
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (822,138)	\$ (1,033,929)	\$ 55,087
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	13,395	-	-	-	-	-
Charges for services	-	-	-	885,704	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	1,000,000	15,621	539	-	116,988
Total receipts	<u>13,395</u>	<u>1,000,000</u>	<u>15,621</u>	<u>886,243</u>	<u>-</u>	<u>116,988</u>
Disbursements:						
Personal services	-	-	-	7,528	-	-
Supplies	-	-	-	1,371	-	29,922
Other services and charges	-	-	-	-	-	40,313
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	393	-	52,826
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,292</u>	<u>-</u>	<u>123,061</u>
Excess (deficiency) of receipts over disbursements	<u>13,395</u>	<u>1,000,000</u>	<u>15,621</u>	<u>876,951</u>	<u>-</u>	<u>(6,073)</u>
Cash and investments - ending	<u>\$ 13,395</u>	<u>\$ 1,000,000</u>	<u>\$ 15,621</u>	<u>\$ 54,813</u>	<u>\$ (1,033,929)</u>	<u>\$ 49,014</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Equal Opportunity Commission HR	Tourism Project	Youth Services Bureau	Home Program	Emergency Shelter Grant	Brownfield
Cash and investments - beginning	\$ 2,036	\$ 49,991	\$ 228,239	\$ 7,107	\$ 108	\$ 260,790
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	63,950	43,011	126,994	1,563,353	152,846	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	126	-	11,073	-
Total receipts	<u>63,950</u>	<u>43,011</u>	<u>127,120</u>	<u>1,563,353</u>	<u>163,919</u>	<u>-</u>
Disbursements:						
Personal services	44,357	-	31,953	57,076	19,149	-
Supplies	-	-	86,695	-	517	-
Other services and charges	2,201	4,650	12,826	1,507,484	138,135	170,079
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>46,558</u>	<u>4,650</u>	<u>131,474</u>	<u>1,564,560</u>	<u>157,801</u>	<u>170,079</u>
Excess (deficiency) of receipts over disbursements	<u>17,392</u>	<u>38,361</u>	<u>(4,354)</u>	<u>(1,207)</u>	<u>6,118</u>	<u>(170,079)</u>
Cash and investments - ending	<u>\$ 19,428</u>	<u>\$ 88,352</u>	<u>\$ 223,885</u>	<u>\$ 5,900</u>	<u>\$ 6,226</u>	<u>\$ 90,711</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Healthy Families	Marquette Park	Gleason Golf Course	Emergency Shelter	Comprehensive Community Program	Landfill Closure
Cash and investments - beginning	\$ 12,776	\$ 3,983	\$ 9,701	\$ (464,782)	\$ 58,326	\$ 101,043
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	441,080	-	-
Charges for services	3,745	230,882	167,891	9,179	42,622	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	71,764	-	36,313
Total receipts	<u>3,745</u>	<u>230,882</u>	<u>167,891</u>	<u>522,023</u>	<u>42,622</u>	<u>36,313</u>
Disbursements:						
Personal services	-	90,538	64,789	402,987	-	-
Supplies	1,454	9,622	23,107	22,515	5,610	-
Other services and charges	8,905	122,061	89,695	28,424	44,750	45,761
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	24,733	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>10,359</u>	<u>222,221</u>	<u>177,591</u>	<u>453,926</u>	<u>75,093</u>	<u>45,761</u>
Excess (deficiency) of receipts over disbursements	<u>(6,614)</u>	<u>8,661</u>	<u>(9,700)</u>	<u>68,097</u>	<u>(32,471)</u>	<u>(9,448)</u>
Cash and investments - ending	<u>\$ 6,162</u>	<u>\$ 12,644</u>	<u>\$ 1</u>	<u>\$ (396,685)</u>	<u>\$ 25,855</u>	<u>\$ 91,595</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Landfill Trust	Solid Waste Recycling Project	Environmental Management	Health and Human Services	Supplemental Adult Probation Svc's	Gary Health Department Rental
Cash and investments - beginning	\$ 1,220,962	\$ 249,187	\$ 13,586	\$ (451,910)	\$ 122,153	\$ 8,216
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	631,377	-	-
Charges for services	-	451,345	-	46,790	-	3,299
Fines and forfeits	-	-	-	-	96,867	-
Utility fees	-	-	-	-	-	-
Other receipts	1	-	-	-	-	-
Total receipts	<u>1</u>	<u>451,345</u>	<u>-</u>	<u>678,167</u>	<u>96,867</u>	<u>3,299</u>
Disbursements:						
Personal services	-	488,873	-	465,801	135,064	-
Supplies	-	6,175	-	18,708	-	-
Other services and charges	-	28,251	-	134,204	-	4,160
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	11,186	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>523,299</u>	<u>-</u>	<u>629,899</u>	<u>135,064</u>	<u>4,160</u>
Excess (deficiency) of receipts over disbursements	<u>1</u>	<u>(71,954)</u>	<u>-</u>	<u>48,268</u>	<u>(38,197)</u>	<u>(861)</u>
Cash and investments - ending	<u>\$ 1,220,963</u>	<u>\$ 177,233</u>	<u>\$ 13,586</u>	<u>\$ (403,642)</u>	<u>\$ 83,956</u>	<u>\$ 7,355</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Park Nonreverting	Vehicle Auction	Bioterrorism	Community Development Block Grant	Redevelopment Operating	Summer Jobs Training Program
Cash and investments - beginning	\$ 4,362	\$ 46,948	\$ (8,678)	\$ 159,702	\$ 52,919	\$ 8,776
Receipts:						
Taxes	-	-	-	-	107,991	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	47,803	3,491,487	11,028	-
Charges for services	125,766	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	21,608	-	34,445	39	-
Total receipts	<u>125,766</u>	<u>21,608</u>	<u>47,803</u>	<u>3,525,932</u>	<u>119,058</u>	<u>-</u>
Disbursements:						
Personal services	109,847	2,840	9,274	1,277,036	95,191	-
Supplies	12,114	1,858	10,290	77,562	-	-
Other services and charges	3,957	35,555	37,663	1,944,184	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	28,300	-	163,634	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	65,000	-
Total disbursements	<u>125,918</u>	<u>68,553</u>	<u>57,227</u>	<u>3,462,416</u>	<u>160,191</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(152)</u>	<u>(46,945)</u>	<u>(9,424)</u>	<u>63,516</u>	<u>(41,133)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 4,210</u>	<u>\$ 3</u>	<u>\$ (18,102)</u>	<u>\$ 223,218</u>	<u>\$ 11,786</u>	<u>\$ 8,776</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Fair Housing Project	Genesis Civic Center	Media	Clerk Perpetuation	Genesis Center Operating	Leased Properties - Gary Bldg Corp.
Cash and investments - beginning	\$ 51,548	\$ 8	\$ 389,402	\$ 14,796	\$ 19,666	\$ (500,922)
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	33,334	-	-	-	-	-
Charges for services	-	-	-	19,494	-	79,588
Fines and forfeits	-	-	483,533	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	316	185	-	561,211	-
Total receipts	<u>33,334</u>	<u>316</u>	<u>483,718</u>	<u>19,494</u>	<u>561,211</u>	<u>79,588</u>
Disbursements:						
Personal services	48,289	-	268,144	21,726	289,356	-
Supplies	147	-	7,758	-	166,202	-
Other services and charges	2,693	-	108,623	-	104,869	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	148,420	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>51,129</u>	<u>-</u>	<u>532,945</u>	<u>21,726</u>	<u>560,427</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(17,795)</u>	<u>316</u>	<u>(49,227)</u>	<u>(2,232)</u>	<u>784</u>	<u>79,588</u>
Cash and investments - ending	<u>\$ 33,753</u>	<u>\$ 324</u>	<u>\$ 340,175</u>	<u>\$ 12,564</u>	<u>\$ 20,450</u>	<u>\$ (421,334)</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	State Air Grant	Hazardous Material	Economic Development Bond Comm	Alcohol And Drug Treatment	New Birth Grant	Remote Encoding Center
Cash and investments - beginning	\$ 10,739	\$ 5,969	\$ 14,838	\$ 56,674	\$ 22	\$ 181,466
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	41,915	22	-	-	-
Total receipts	-	41,915	22	-	-	-
Disbursements:						
Personal services	9,369	-	-	50,239	-	-
Supplies	-	-	-	-	-	-
Other services and charges	719	-	60	-	-	160,758
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	10,088	-	60	50,239	-	160,758
Excess (deficiency) of receipts over disbursements	(10,088)	41,915	(38)	(50,239)	-	(160,758)
Cash and investments - ending	\$ 651	\$ 47,884	\$ 14,800	\$ 6,435	\$ 22	\$ 20,708

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Mayor Donations	Lakefront Development	Social Services	Special Events	City Council Donations	Special Project Donations
Cash and investments - beginning	\$ 1,547	\$ 1,082,441	\$ 1,596	\$ 14,754	\$ 6,983	\$ 307
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	18,272	-	2,713	17,995	-	-
Total receipts	18,272	-	2,713	17,995	-	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	19,385	-	2,210	2,239	6,538	232
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	19,385	-	2,210	2,239	6,538	232
Excess (deficiency) of receipts over disbursements	(1,113)	-	503	15,756	(6,538)	(232)
Cash and investments - ending	\$ 434	\$ 1,082,441	\$ 2,099	\$ 30,510	\$ 445	\$ 75

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Economic Development Trust	Community Development Loan Program	Police Donations	Weed and Seed	Welfare Excess	Human Relations
Cash and investments - beginning	\$ 495,336	\$ 16,058	\$ 1,355	\$ 9,203	\$ 6,369	\$ 2,000
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	7,914	-	14,085	-	7	-
Total receipts	<u>7,914</u>	<u>-</u>	<u>14,085</u>	<u>-</u>	<u>7</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	112	-
Supplies	119	-	-	-	-	-
Other services and charges	191,520	240	4,592	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>191,639</u>	<u>240</u>	<u>4,592</u>	<u>-</u>	<u>112</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(183,725)</u>	<u>(240)</u>	<u>9,493</u>	<u>-</u>	<u>(105)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 311,611</u>	<u>\$ 15,818</u>	<u>\$ 10,848</u>	<u>\$ 9,203</u>	<u>\$ 6,264</u>	<u>\$ 2,000</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	CMAQ Vehicles	Hope VI Pilot	Energy Efficient	HPRP	Filming Fees	CHRP
Cash and investments - beginning	\$ 5,361	\$ 102,465	\$ 515,977	\$ 1	\$ 5,100	\$ 63,198
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	444,698	77,833	-	-	-	289,850
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	3,538	-
Utility fees	-	-	-	-	-	-
Other receipts	-	1,410	-	-	-	-
Total receipts	<u>444,698</u>	<u>79,243</u>	<u>-</u>	<u>-</u>	<u>3,538</u>	<u>289,850</u>
Disbursements:						
Personal services	-	-	-	-	-	289,850
Supplies	234,000	-	-	-	-	-
Other services and charges	-	28,400	11,622	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	503,257	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	1	-	-
Total disbursements	<u>234,000</u>	<u>28,400</u>	<u>514,879</u>	<u>1</u>	<u>-</u>	<u>289,850</u>
Excess (deficiency) of receipts over disbursements	<u>210,698</u>	<u>50,843</u>	<u>(514,879)</u>	<u>(1)</u>	<u>3,538</u>	<u>-</u>
Cash and investments - ending	<u>\$ 216,059</u>	<u>\$ 153,308</u>	<u>\$ 1,098</u>	<u>\$ -</u>	<u>\$ 8,638</u>	<u>\$ 63,198</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Neighborhood Stabilization Program	Lead Base Paint Hazard Control Grant	Grand Trunk Corp	Redevelopment Bond	2007 Multi Purpose Revenue Bonds	2007 GO Judgment Funding Bonds
Cash and investments - beginning	\$ 9,472	\$ 76,468	\$ 1,045,017	\$ 999,864	\$ 23,267	\$ 520,841
Receipts:						
Taxes	-	-	-	-	-	903,135
Licenses and permits	-	-	-	-	-	-
Intergovernmental	2,425,753	-	-	-	-	48,794
Charges for services	83,111	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	76,876	496	179	-
Total receipts	<u>2,508,864</u>	<u>-</u>	<u>76,876</u>	<u>496</u>	<u>179</u>	<u>951,929</u>
Disbursements:						
Personal services	112,180	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	1,835,754	19,601	101,684	-	2,135	-
Debt service - principal and interest	-	-	-	-	-	888,891
Capital outlay	496,640	-	82,028	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	938,181	-	-	-
Total disbursements	<u>2,444,574</u>	<u>19,601</u>	<u>1,121,893</u>	<u>-</u>	<u>2,135</u>	<u>888,891</u>
Excess (deficiency) of receipts over disbursements	<u>64,290</u>	<u>(19,601)</u>	<u>(1,045,017)</u>	<u>496</u>	<u>(1,956)</u>	<u>63,038</u>
Cash and investments - ending	<u>\$ 73,762</u>	<u>\$ 56,867</u>	<u>\$ -</u>	<u>\$ 1,000,360</u>	<u>\$ 21,311</u>	<u>\$ 583,879</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Baseball Maintenance	Grant/Buchanan Street Project	Park Construction	Clean Up/ Beautification	911 Equipment	Small Farms TIF District
Cash and investments - beginning	\$ -	\$ 106,070	\$ 6,988	\$ 617	\$ 494	\$ 100,111
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	150,000	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	3,000	-	-	145,000
Total receipts	<u>150,000</u>	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>145,000</u>
Disbursements:						
Personal services	-	-	-	323	-	-
Supplies	-	-	-	-	-	-
Other services and charges	149,999	63,056	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	180,283
Total disbursements	<u>149,999</u>	<u>63,056</u>	<u>-</u>	<u>323</u>	<u>-</u>	<u>180,283</u>
Excess (deficiency) of receipts over disbursements	<u>1</u>	<u>(63,056)</u>	<u>3,000</u>	<u>(323)</u>	<u>-</u>	<u>(35,283)</u>
Cash and investments - ending	<u>\$ 1</u>	<u>\$ 43,014</u>	<u>\$ 9,988</u>	<u>\$ 294</u>	<u>\$ 494</u>	<u>\$ 64,828</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Consolidated Area TIF District	Lakefront TIF District	TIF Replacement	Marquette Renovation	Lady Liberty Restoration	GUEA Properties
Cash and investments - beginning	\$ 796,532	\$ 5,905,322	\$ 73,071	\$ 27,355	\$ 422	\$ 2,642
Receipts:						
Taxes	990,557	1,327,767	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	5,988,505	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	530,776	-	560,638	20	-
Total receipts	<u>990,557</u>	<u>1,858,543</u>	<u>-</u>	<u>6,549,143</u>	<u>20</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	379,542	1,451,620	-	1,020,724	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	5,554,790	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	888,697	2,300,000	-	-	-	-
Total disbursements	<u>1,268,239</u>	<u>3,751,620</u>	<u>-</u>	<u>6,575,514</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(277,682)</u>	<u>(1,893,077)</u>	<u>-</u>	<u>(26,371)</u>	<u>20</u>	<u>-</u>
Cash and investments - ending	<u>\$ 518,850</u>	<u>\$ 4,012,245</u>	<u>\$ 73,071</u>	<u>\$ 984</u>	<u>\$ 442</u>	<u>\$ 2,642</u>

CITY OF GARY
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	Downtown Mall TIF District	Madison Avenue TIF District	Washington Manor TIF District	Consolidated Area Exp TIF District	Midwest Center TIF District	Lancaster Dusable TIF District
Cash and investments - beginning	\$ 67,525	\$ 576,694	\$ 16,886	\$ 102,441	\$ 418,214	\$ -
Receipts:						
Taxes	-	73,678	-	250,126	-	29,081
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>73,678</u>	<u>-</u>	<u>250,126</u>	<u>-</u>	<u>29,081</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	35,562	190,680	-	3,068	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	29,081
Total disbursements	<u>35,562</u>	<u>190,680</u>	<u>-</u>	<u>3,068</u>	<u>-</u>	<u>29,081</u>
Excess (deficiency) of receipts over disbursements	<u>(35,562)</u>	<u>(117,002)</u>	<u>-</u>	<u>247,058</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 31,963</u>	<u>\$ 459,692</u>	<u>\$ 16,886</u>	<u>\$ 349,499</u>	<u>\$ 418,214</u>	<u>\$ -</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Fema Grant - Fire Department	Joint Public Safety Training	Dalton Arms TIF District	County Market TIF District	SR 912 No. 1 TIF District	SR 912 No. 2 TIF District
Cash and investments - beginning	\$ 1,538	\$ 19,006	\$ 48,245	\$ 340,539	\$ 15,757	\$ 172,009
Receipts:						
Taxes	-	-	181,965	473,988	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	251,774	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	2,500	132,437	-	-	-
Total receipts	<u>251,774</u>	<u>2,500</u>	<u>314,402</u>	<u>473,988</u>	<u>-</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	8,402	-	-	-	-
Other services and charges	-	9,563	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	250,807	-	271,665	585,038	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>250,807</u>	<u>17,965</u>	<u>271,665</u>	<u>585,038</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>967</u>	<u>(15,465)</u>	<u>42,737</u>	<u>(111,050)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 2,505</u>	<u>\$ 3,541</u>	<u>\$ 90,982</u>	<u>\$ 229,489</u>	<u>\$ 15,757</u>	<u>\$ 172,009</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Kenney's Ribs TIF District	Fire Capital Equipment	Gary City Center Allocation Area	Truck City Of Gary Allocation Area	Payroll	County Health
Cash and investments - beginning	\$ 133,749	\$ 16,198	\$ 35,497	\$ 116,208	\$ 4,707	\$ 1,543
Receipts:						
Taxes	-	-	-	181,354	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	6,335
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	816	-	-	-	-
Total receipts	-	816	-	181,354	-	6,335
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	1,527	-	6,298
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	133,749	-	-	128,938	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	133,749	-	-	130,465	-	6,298
Excess (deficiency) of receipts over disbursements	(133,749)	816	-	50,889	-	37
Cash and investments - ending	\$ -	\$ 17,014	\$ 35,497	\$ 167,097	\$ 4,707	\$ 1,580

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Empowerment Zone	Empowerment Zone Revolving	Microloan	Empowerment Zone SBA Microloan	Empowerment Zone SBA Loss Reserve	City Clerk - Civil Division
Cash and investments - beginning	\$ 39	\$ 6,498	\$ 5,323	\$ 661	\$ 2,376	\$ 5,818
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	59,886	-	724	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>342,780</u>	<u>267,566</u>	<u>600</u>	<u>36,469</u>	<u>-</u>	<u>95,329</u>
Total receipts	<u>342,780</u>	<u>327,452</u>	<u>600</u>	<u>37,193</u>	<u>-</u>	<u>95,329</u>
Disbursements:						
Personal services	97,445	-	-	-	-	-
Supplies	208	-	-	-	-	-
Other services and charges	222,187	214,305	-	37,641	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	<u>12,410</u>	<u>115,513</u>	<u>5,000</u>	<u>6</u>	<u>2,000</u>	<u>89,178</u>
Total disbursements	<u>332,250</u>	<u>329,818</u>	<u>5,000</u>	<u>37,647</u>	<u>2,000</u>	<u>89,178</u>
Excess (deficiency) of receipts over disbursements	<u>10,530</u>	<u>(2,366)</u>	<u>(4,400)</u>	<u>(454)</u>	<u>(2,000)</u>	<u>6,151</u>
Cash and investments - ending	<u>\$ 10,569</u>	<u>\$ 4,132</u>	<u>\$ 923</u>	<u>\$ 207</u>	<u>\$ 376</u>	<u>\$ 11,969</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	City Clerk - Criminal Division	Miscellaneous Refunds	Redevelopment Depository Trust	Withholdings	Supplemental Public Defender	LEDC - Empowerment Zone
Cash and investments - beginning	\$ 1,086,033	\$ 16,215	\$ 169,042	\$ 901,201	\$ 45,019	\$ 257
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	13,505	480
Utility fees	-	-	-	-	-	-
Other receipts	<u>1,485,026</u>	<u>33</u>	<u>6,077</u>	<u>23,705,494</u>	<u>-</u>	<u>149</u>
Total receipts	<u>1,485,026</u>	<u>33</u>	<u>6,077</u>	<u>23,705,494</u>	<u>13,505</u>	<u>629</u>
Disbursements:						
Personal services	-	-	-	24,248,249	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	84,292	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	<u>1,366,953</u>	<u>-</u>	<u>-</u>	<u>204,727</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>1,366,953</u>	<u>-</u>	<u>84,292</u>	<u>24,452,976</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>118,073</u>	<u>33</u>	<u>(78,215)</u>	<u>(747,482)</u>	<u>13,505</u>	<u>629</u>
Cash and investments - ending	<u>\$ 1,204,106</u>	<u>\$ 16,248</u>	<u>\$ 90,827</u>	<u>\$ 153,719</u>	<u>\$ 58,524</u>	<u>\$ 886</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Confiscated Property	Salary Fee Judicial	Gary Storm Water Management District (GSWMD)	GSDWM E. Ridge Road Project	GSD Long Lake Water	GSD WWTP General Operating
Cash and investments - beginning	\$ 234,980	\$ 13,032	\$ 1,671,832	\$ 127,623	\$ 56,633	\$ 2,953,560
Receipts:						
Taxes	-	-	1,303,489	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	1,386,250	33,618	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	19,328	38,904	-	-	-	-
Utility fees	-	-	-	-	-	28,011,752
Other receipts	-	-	33,333	141,812	-	261,155
Total receipts	<u>19,328</u>	<u>38,904</u>	<u>2,723,072</u>	<u>175,430</u>	<u>-</u>	<u>28,272,907</u>
Disbursements:						
Personal services	-	31,975	203,689	-	-	5,499,614
Supplies	-	-	-	-	-	-
Other services and charges	47,067	-	6,990	-	-	565,976
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	416,697	-	-	583,528
Utility operating expenses	-	-	521,707	260,132	-	11,563,562
Other disbursements	-	-	-	-	-	10,018,438
Total disbursements	<u>47,067</u>	<u>31,975</u>	<u>1,149,083</u>	<u>260,132</u>	<u>-</u>	<u>28,231,118</u>
Excess (deficiency) of receipts over disbursements	<u>(27,739)</u>	<u>6,929</u>	<u>1,573,989</u>	<u>(84,702)</u>	<u>-</u>	<u>41,789</u>
Cash and investments - ending	<u>\$ 207,241</u>	<u>\$ 19,961</u>	<u>\$ 3,245,821</u>	<u>\$ 42,921</u>	<u>\$ 56,633</u>	<u>\$ 2,995,349</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	GSD Bond And Interest	GSD Sewer Construction	GSD Sewer Operating	GSD Solid Waste Disposal	GSD Debt Service	GSD Grand Calumet Sedimentation
Cash and investments - beginning	\$ 1,809,177	\$ 31,161	\$ 95,322	\$ 99,803	\$ 3,494,010	\$ 3,496,805
Receipts:						
Taxes	-	-	-	-	446,916	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	60,450	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>3,226,144</u>	<u>128,053</u>	<u>27</u>	<u>5,838,003</u>	<u>1,253,149</u>	<u>3,494</u>
Total receipts	<u>3,226,144</u>	<u>128,053</u>	<u>27</u>	<u>5,838,003</u>	<u>1,760,515</u>	<u>3,494</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	2,663,260	-	-	-	2,520,130	-
Capital outlay	300,000	-	-	-	300,000	-
Utility operating expenses	160,050	-	-	4,773,613	-	-
Other disbursements	<u>59,676</u>	<u>132,000</u>	<u>-</u>	<u>720,000</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>3,182,986</u>	<u>132,000</u>	<u>-</u>	<u>5,493,613</u>	<u>2,820,130</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>43,158</u>	<u>(3,947)</u>	<u>27</u>	<u>344,390</u>	<u>(1,059,615)</u>	<u>3,494</u>
Cash and investments - ending	<u>\$ 1,852,335</u>	<u>\$ 27,214</u>	<u>\$ 95,349</u>	<u>\$ 444,193</u>	<u>\$ 2,434,395</u>	<u>\$ 3,500,299</u>

CITY OF GARY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	GSD Debt Service Reserve	GSD Equipment Replacement	GSD/WREP Economic Development	GSD Beach Sampling	GSD E Coli	Totals
Cash and investments - beginning	\$ 1,842,729	\$ 4,857,375	\$ 1,981	\$ 28,780	\$ 88,260	\$ 52,169,534
Receipts:						
Taxes	-	-	-	-	-	31,729,964
Licenses and permits	-	-	-	-	-	991,338
Intergovernmental	-	-	-	39,225	26,208	62,758,221
Charges for services	-	-	-	-	-	2,925,572
Fines and forfeits	-	-	-	-	-	1,966,957
Utility fees	-	-	-	-	-	28,011,752
Other receipts	300,024	2,661,463	-	-	-	109,739,872
Total receipts	300,024	2,661,463	-	39,225	26,208	238,123,676
Disbursements:						
Personal services	-	-	-	-	-	90,482,245
Supplies	-	-	-	-	-	2,890,850
Other services and charges	-	-	-	-	-	52,347,637
Debt service - principal and interest	-	-	-	-	-	27,571,642
Capital outlay	-	306,673	-	-	-	14,610,613
Utility operating expenses	50	38,713	-	-	-	17,317,827
Other disbursements	-	-	-	-	-	27,559,948
Total disbursements	50	345,386	-	-	-	232,780,762
Excess (deficiency) of receipts over disbursements	299,974	2,316,077	-	39,225	26,208	5,342,914
Cash and investments - ending	\$ 2,142,703	\$ 7,173,452	\$ 1,981	\$ 68,005	\$ 114,468	\$ 57,512,448

CITY OF GARY
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2013

<u>Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Gary Sanitary District (GSD)	<u>\$ -</u>	<u>\$ 10,711,700</u>

CITY OF GARY
SCHEDULE OF LEASES AND DEBT
December 31, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Fifth Third	Fire Truck	\$ 384,564	12/1/2012	1/1/2020

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	City of Gary GO Judgement Funding Bonds Series 2007	\$ 1,700,000	\$ 887,825
Revenue bonds	Tax Increment Revenue Bond Series 2012	3,735,000	896,526
Notes and loans payable	General Revenue Notes of 2010	3,034,433	2,413,746
Lines of credit	Broad Ridge Partners LP	<u>314,633</u>	<u>84,900</u>
Total governmental activities		<u>8,784,066</u>	<u>4,282,997</u>
Gary Sanitary District (GSD):			
Revenue bonds	2011 Revenue Bonds	21,545,000	1,275,820
Revenue bonds	2000 SRF Revenue Bonds	<u>10,786,785</u>	<u>1,547,994</u>
Total GSD		<u>32,331,785</u>	<u>2,823,814</u>
Totals		<u>\$ 41,115,851</u>	<u>\$ 7,106,811</u>

CITY OF GARY
SCHEDULE OF CAPITAL ASSETS
December 31, 2013

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 24,002,467
Infrastructure	140,982,715
Buildings	147,221,457
Improvements other than buildings	12,150,311
Machinery, equipment, and vehicles	42,396,723
Construction in progress	29,800,494
Total governmental activities	396,554,167
Storm Water Management District:	
Land	320,084
Infrastructure	10,673,869
Buildings	4,003,564
Machinery, equipment, and vehicles	1,808,001
Construction in progress	1,145,293
Total Storm Water Management District	17,950,811
Gary Sanitary District (GSD):	
Land	1,526,898
Infrastructure	202,415,356
Buildings	104,796,933
Machinery, equipment, and vehicles	63,262,074
Construction in progress	3,705,335
Books and other	3,663,735
Total GSD	379,370,331
Total capital assets	\$ 793,875,309

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE CITY OF GARY, LAKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the City of Gary's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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.

Basis for Qualified Opinion on CDBG - Entitlement Grants Cluster

As described in items 2013-003 and 2013-004 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding Suspension and Debarment and Reporting that are applicable to its CDBG - Entitlement Grants Cluster. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Basis for Qualified Opinion on HOME Investment Partnerships Program

As described in items 2013-004 and 2013-006 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding Reporting and Special Tests and Provisions - Housing Quality Standards that are applicable to its Home Investment Partnerships Programs. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

Basis for Qualified Opinion on Highway Planning and Construction Cluster

As described in items 2013-008 and 2013-009 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding Equipment and Real Property Management and Suspension and Debarment that are applicable to its Highway Planning and Construction Cluster. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

Basis for Qualified Opinion on Assistance to Firefighters Grant

As described in items 2013-008, 2013-009, 2013-011, and 2013-012 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding Equipment and Real Property Management, Suspension and Debarment, Activities Allowed, Allowable Costs, and Cash Management that are applicable to its Assistance to Firefighters Grants. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

Qualified Opinion on CDBG - Entitlement Grants Cluster, HOME Investment Partnerships Program, Highway Planning and Construction Cluster, and Assistance to Firefighters Grant

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraphs, 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 the CDBG - Entitlement Grants Cluster, HOME Investment Partnerships Program, Highway Planning and Construction Cluster, and Assistance to Firefighters Grant for the year ended December 31, 2013.

Other Matters

The City's response to the noncompliance findings 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 compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133, 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.

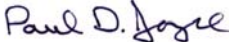
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-002, 2013-005, 2013-007, 2013-010, and 2013-011 to be material weaknesses.

The City's response to the internal control over compliance findings 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 compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

September 9, 2014

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the City. The schedule and notes are presented as intended by the City.

CITY OF GARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
Department of Agriculture				
Child Nutrition Cluster				
Summer Food Service Program for Children	Indiana Department of Education			
Summer Lunch Program		10.559	C2264574505	\$ 70,820
Department of Housing and Urban Development				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants				
Community Development Block Grant	Direct	14.218	B-13-MC-18-0005	3,491,486
Neighborhood Stabilization Program (NSP-1)	Direct	14.218	B-08-MN-18-0005	144,821
Neighborhood Stabilization Program (NSP-3)	Direct	14.218	B-11-MN-18-0005	<u>2,280,932</u>
Total - CDBG - Entitlement Grants Cluster				<u>5,917,239</u>
Emergency Solutions Grants Program				
Emergency Shelter Grant	Direct	14.231	E-12-MC-18-0005	152,847
Emergency Shelter Grant Rainbow	Indiana Housing and Community Development Authority (IHCDA)	14.231	ES-012-023	18,729
Emergency Shelter Grant Rainbow	Indiana Housing and Community Development Authority (IHCDA)	14.231	ES-013-023	<u>2,109</u>
Total - Emergency Solutions Grants Program				<u>173,685</u>
Supportive Housing Program	Direct			
ARK Renewal Grant		14.235	IN0119B5H021102	51,696
ARK Renewal Grant		14.235	IN0119B5H021101	<u>85,315</u>
Total - Supportive Housing Program				<u>137,011</u>
HOME Investment Partnerships Program	Direct			
HOME Investment Partnerships Program		14.239	M-13-MC-18-0203	<u>1,563,352</u>
Fair Housing Assistance Program - State and Local	Direct			
Fair Housing Assistance Program		14.401	FF205K115012	33,615
Fair Housing Assistance Program		14.401	FF205K135012	<u>33,334</u>
Total - Fair Housing Assistance Program - State and Local				<u>66,949</u>
Total - Department of Housing and Urban Development				<u>7,858,236</u>
Department of Justice				
Crime Victim Assistance	Indiana Criminal Justice Institute			
Crime Victim Assistance		16.575	13VA2446	17,445
Crime Victim Assistance		16.575	12VA1656	<u>109,424</u>
Total - Crime Victim Assistance				<u>126,869</u>
ARRA - Violence Against Women Formula Grants	Indiana Criminal Justice Institute			
Victim Awareness Education Stop		16.588	13ST1968	5,485
Victim Awareness Education Stop		16.588	12STV042	<u>23,353</u>
Total - ARRA - Violence Against Women Formula Grants				<u>28,838</u>
Bullet Proof Vest Partnership Program	Direct			
Bullet Proof Vests		16.607	BVP FY2010	<u>8,856</u>
ARRA - Public Safety Partnership and Community Policing Grants	Direct			
COPS Hiring Recovery Program (CHRP)		16.710	2009-RK-WX-0345	<u>289,849</u>
Equitable Sharing Program	Direct			
		16.922	DEA	<u>36,176</u>
Total - Department of Justice				<u>490,588</u>
Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	Indiana Department of Transportation			
East Ridge Road Project		20.205	DES# 0600750	159,496
Marina Access Road			DES# 0300679	4,854
E85 Fuel, Tank, Meter, and Pump			DES# 1005923	52,200
City Wide Safe Routes to School Plan			DES# 1173663	13,395
E85 Fuel, Tank, Pump, Meter, and Security System			DES# 0901762	38,500
CMAQ E-85 Fuel			DES# 1173715	<u>208,097</u>
Total Highway Planning and Construction				<u>476,542</u>

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

CITY OF GARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013
(Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Transportation (continued)</u>				
Highway Planning and Construction Cluster (continued)				
ARRA - Highway Planning and Construction				
ARRA - 35th Ave. Grant-Chase			DES# 0901820	164
ARRA - Old Hobart Rd. - Miller Ave.			DES# 0901824	1,491
ARRA - Central Ave. I-65			DES# 0901818	<u>1,869</u>
Total ARRA - Highway Planning and Construction				<u>3,524</u>
Total - Department of Transportation				<u>480,066</u>
<u>Equal Employment Opportunity Commissio</u>				
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	Direct			
Fair Employment Practices/Discrimination		30.002	EECCN110065	<u>36,950</u>
<u>Department of Health and Human Services</u>				
Public Health Emergency Preparedness	Indiana State Department of Health			
Bioterrorism		93.069	196-70	19,018
Bioterrorism		93.069	196-75	<u>17,767</u>
Total - Public Health Emergency Preparedness				<u>36,785</u>
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	Indiana State Department of Health			
Bioterrorism		93.074	196-71	<u>28,785</u>
Immunization Cooperative Agreements	Indiana State Department of Health			
Childhood Immunization		93.268	IP 195-68	54,936
Childhood Immunization		93.268	IP 196-1	<u>24,553</u>
Total - Immunization Cooperative Agreements				<u>79,489</u>
Social Services Block Grant	Indiana Criminal Justice Institute			
Social Services Block Grant/SSBG		93.667	13SSBG1992	<u>12,260</u>
Family Violence Prevention and Services/Battered Women's Shelters -Grants to States and Indian Tribes	Indiana Criminal Justice Institute			
Family Violence		93.671	12FFV1698	<u>14,968</u>
Block Grants for Prevention and Treatment of Substance Abuse	Indiana State Department of Health			
Prenatal Substance Use Prevention Program		93.959	00B1-IN-SAPT	<u>67,453</u>
Preventive Health Services - Sexually Transmitted Diseases Control Grants	Indiana State Department of Health			
Sexually Transmitted Disease		93.977	STD 196-4	<u>171,585</u>
Maternal and Child Health Services Block Grant to the States	Indiana State Department of Health			
Maternal and Child Health Clinic		93.994	MCH 196-2	<u>145,634</u>
Total - Department of Health and Human Services				<u>556,959</u>
<u>Department of Homeland Security</u>				
Emergency Food and Shelter National Board Program	Lake Area United Way			
FEMA		97.024	271600-005	<u>1,974</u>
Assistance to Firefighters Grant	Direct			
Firefighter Safer Grant		97.044	EMW-2010-FH-00740	1,347,122
Assistance to Firefighters Grant (AFG)		97.044	EMW-2010-FO-09870	<u>251,774</u>
Total - Assistance to Firefighters Grant				<u>1,598,896</u>
Total - Department of Homeland Security				<u>1,600,870</u>
Total federal awards expended				<u>\$ 11,094,489</u>

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

CITY OF GARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2013:

Program Title	Federal CFDA Number	2013
Community Development Block Grants/Entitlement Grants	14.218	\$ 64,994
Emergency Solutions Grants Program	14.231	138,135

CITY OF GARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Qualified for all programs
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.239	CDBG - Entitlement Grants Cluster HOME Investment Partnerships Program Highway Planning and Construction Cluster
97.044	Assistance to Firefighters Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$332,835

Auditee qualified as low-risk auditee?	no
----------------------------------------	----

Section II - Financial Statement Findings

FINDING 2013-001 - INTERNAL CONTROLS AND COMPLIANCE OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place for the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

CITY OF GARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Various departments are responsible for applying for grants, seeking board approval for the grants, and overseeing the implementation of the grant and the related grant activity. The Finance Department is responsible for preparing the SEFA based upon the grant information obtained from the financial accounting records and other information provided by each department. The financial accounting records maintained by the departments should reconcile with the City's detailed financial records. When the departments' reports were compared to the City's financial records, differences were noted. A review of the grant files maintained by the Finance Department determined that grant award letters, grant applications, grant budgets, reports, and other grant documents were not always provided by the various departments. These documents are necessary for the Finance Department to obtain required information for the SEFA such as CFDA titles and numbers, and to assist in identifying federal grants.

During the audit of the SEFA, we noted the following material errors:

1. The SEFA did not include \$2,663,635 of expenditures for 14 projects associated with the Neighborhood Stabilization Program (NSP-3) Grants, Emergency Solutions Grants Program, Supportive Housing Program, Crime Victim Assistance, ARRA - Violence Against Women Formula Grants, Bullet Proof Vest Partnership Program, Highway Planning and Construction Cluster, and Immunization Cooperative Agreements.
2. Expenditures for 17 grants were incorrect when compared to the City's detail of receipts and disbursements ledgers. Nonfederal activity reported caused the SEFA to be overstated by \$388,580.
3. The program name for 24 grants listed did not agree with the program name per the Catalog of Federal Domestic Assistance.

The combination of the financial errors resulted in the SEFA being understated by \$2,275,055.

In addition, the City reported \$24,513,676 as the amount provided to subrecipients. This was determined to be the amount of the active grants awarded to the City; not the amount that the City provided to subrecipients.

Audit adjustments were proposed, accepted by the City, and made to the SEFA and the related note disclosures presented in this report. These adjustments resulted in a presentation of the SEFA and the required note disclosures that are materially correct in relation to the financial statement.

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section.310."

CITY OF GARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

OMB Circular A-133, Subpart C, section .310(b) states in part:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. 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 award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual 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 sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to sub-recipients from each Federal program."

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-002 - INTERNAL CONTROLS - 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: B-13-MC-18-0005, B-08-MN-18-0005, B-11-MN-18-0005

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect on the program. This includes the Equipment and Real Property Management, Suspension and Debarment, and Reporting compliance requirements. 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.

CITY OF GARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Equipment and Real Property Management

The Department of Community Development used Community Development Block Grant (CDBG) cluster funds for the purchase of properties that were to be rehabilitated and rented or sold to qualifying individuals. During our audit period, the Department did not have internal controls in place to ensure that properties purchased or sold were added to or removed from the detailed capital asset records.

Suspension and Debarment

Per the City's Grant Management Policies and Procedures: "Agencies shall verify and document the vendor, contractor and subcontractor is not suspended or debarred by accessing the Excluded Parties List System (ELPS): www.epls.gov/epls/search. Agencies shall document this verification. The supporting document must be attached or included with all Quotes, Bids, Awards and Contracts. The search should include the following information and printed as proof of eligibility or ineligibility . . ."

A system to monitor or review compliance with the City's established procedures regarding Suspension and Debarment was not implemented for demolition projects administered by the Department of Redevelopment.

Reporting

The Department of Community Development has not designed or implemented adequate policies and procedures to ensure that all required reports are accurately prepared and timely submitted. The reports contained no evidence that they had been reviewed by anyone other than the person preparing the report. Segregation of duties, such as an adequate oversight or approval process to ensure that all reports were submitted accurately, has not been established.

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 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 the compliance requirements noted above that have a direct and material effect on the program.

CITY OF GARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2013-003 - SUSPENSION AND DEBARMENT - 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: B-13-MC-18-0005, B-08-MN-18-0005, B-11-MN-18-0005

The U.S. Department of Housing and Urban Development required the City to verify that awarded contracts related to projects funded with federal grants were not awarded to suspended or debarred entities. The City failed to check the Excluded Parties List System at the time a transaction was entered into, collect a certification from the entity, or add a clause or condition to the contract for demolition projects.

Per the City's Grant Management Policies and Procedures: "Agencies shall verify and document the vendor, contractor and subcontractor is not suspended or debarred by accessing the Excluded Parties List System (ELPS): www.epls.gov/epls/search. Agencies shall document this verification. The supporting document must be attached or included with all Quotes, Bids, Awards and Contracts. The search should include the following information and printed as proof of eligibility or ineligibility . . ." (As of November 21, 2012, exclusions can be found through the system for Award Management at www.sam.gov)

The City's Department of Redevelopment (Redevelopment) administers demolition projects funded by the Community Development Block Grants/Entitlement Grants (CDBG) program. Redevelopment failed to provide documentation that it was in compliance with Suspension and Debarment requirements. Redevelopment did not receive a certification from the contractor, nor did the City include a clause or condition in the contract addressing suspension and debarment.

24 CFR 84.13(a) states:

"Recipients and subrecipients shall comply with the government wide nonprocurement debarment and suspension requirements in 2 CFR part 2424. These government wide requirements restrict subawards and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in federal assistance programs or activities."

2 CFR 2424.10 states:

"In this part, HUD adopts, as HUD policies, procedures, and requirements for nonprocurement debarment and suspension, the OMB guidance in subparts A through I of 2 CFR part 180, as supplemented by this part. This adoption thereby gives regulatory effect for HUD to the OMB guidance, as supplemented by this part. This part satisfies the requirements in section 3 of Executive Order 12549, "Debarment and Suspension" (3 CFR 1986 Comp., p. 189), Executive Order 12689, "Debarment and Suspension" (3 CFR 1989 Comp., p. 235) and 31 U.S.C. 6101 note (Section 2455, Pub. L. 103-355, 108 Stat. 3327)."

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:

CITY OF GARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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."

The City, including the Department of Redevelopment, was not in compliance with their established procedures regarding Suspension and Debarment and was not in compliance with the Suspension and Debarment requirements in the grant agreement for this program. 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 officials comply with Suspension and Debarment requirements of the program.

***FINDING 2013-004 - REPORTING - COMMUNITY DEVELOPMENT BLOCK GRANTS/
ENTITLEMENT GRANTS AND HOME INVESTMENT PARTNERSHIPS PROGRAM***

Federal Agency: Department of Housing and Urban Development
Federal Programs: Community Development Block Grant/Entitlement Grants,
HOME Investment Partnerships Program

CFDA Numbers: 14.218, 14.239

Federal Award Numbers: B-13-MC-18-0005, B-08-MN-18-0005, B-11-MN-18-0005, M-13-MC-18-0203

Community Development Block Grant/Entitlement Grants

In Part II of the Section 3 report, the "total amount of all contracts awarded for the project" should be the total amount of contracts entered into during the reporting period. The City reported the amount expended during the year plus the amount of encumbrance rollover to the next year and not the required awarded contract amount.

HOME Investment Partnerships Program

As part of the grant agreement with the Department of Housing and Urban Development (HUD), the City is required to submit an Annual Section 3 report detailing total new hires and total new hires who reside in a Section 3 area. The Section 3 report was completed with inaccurate counts of new hires as well as inaccurate counts of Section 3 hires.

24 CFR 135.90 states:

"Each recipient which receives directly from HUD financial assistance that is subject to the requirements of this part shall submit to the Assistant Secretary an annual report in such form and with such information as the Assistant Secretary may request, for the purpose of determining the effectiveness of section 3. Where the program providing the section 3 covered assistance requires submission of an annual performance report, the section 3 report will be submitted with that annual performance report. If the program providing the section 3 covered assistance does not require an annual performance report, the section 3 report is to be submitted by January 10 of each year or within 10 days of project completion, whichever is earlier. All reports submitted to HUD in accordance with the requirements of this part will be made available to the public."

CITY OF GARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The City was not in compliance with the Reporting requirements for this program. Failure to comply with these requirements may cause the City to be ineligible to receive future federal funds.

We recommended that officials comply with Reporting requirements as required by the grant.

FINDING 2013-005 - INTERNAL CONTROLS - HOME INVESTMENT PARTNERSHIPS PROGRAM

Federal Agency: Department of Housing and Urban Development
Federal Program: HOME Investment Partnerships Program
CFDA Number: 14.239
Federal Award Number: M-13-MC-18-0203

Management of the City has not established an effective internal control system related to the grant agreement and the Eligibility, Reporting, and Special Tests and Provisions for Housing Quality Standards compliance requirements. 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.

Eligibility

The City's Community Development Department contracted with NWI Continuum of Care (not-for-profit) to determine the Tenant Based Rental Assistance eligibility for the HOME Program. The City did not oversee this eligibility determination. Effective controls were not in place for the eligibility determined by the NWI Continuum of Care.

Reporting

The prior audit contained an internal control finding over reporting for the HOME program. The City's Summary Schedule of Prior Audit Findings states that all reports are now reviewed by management. The person preparing the reports has indicated that there is separation of duties between compiling the information and completing the report. However, there was no evidence of an oversight, review, or approval process.

Special Tests and Provisions - Housing Quality Standards

The City did not establish procedures or controls to ensure inspections of Rental HOME Assisted Units and Tenant Based Rental Assistance Units occurred.

An internal control system 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.

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."

CITY OF GARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

FINDING 2013-006 - SPECIAL TESTS AND PROVISIONS FOR HOUSING QUALITY STANDARDS - HOME INVESTMENT PARTNERSHIPS PROGRAM

Federal Agency: Department of Housing and Urban Development
Federal Program: HOME Investment Partnerships Program
CFDA Number: 14.239
Federal Award Number: M-13-MC-18-0203

The Department of Housing and Urban Development required the City to perform on-site inspections to determine compliance with property standards and verify the information submitted by the owners for the HOME assisted rental housing. In addition, the City is required to perform on-site inspections of rental housing occupied by tenants receiving HOME-assisted tenant-based rental assistance to determine compliance with housing quality standards.

On-site inspections of the owners for rental housing and the tenant-based rental assistance units receiving HOME assistance were not completed in 2013.

24 CFR 92.504(d) states:

"On-site inspections and financial oversight. (1) Inspections. The participating jurisdiction must inspect each project at project completion and during the period of affordability to determine that the project meets the property standards of §92.251.

- (i) *Completion inspections.* Before completing the project in the disbursement and information system established by HUD, the participating jurisdiction must perform an on-site inspection of HOME-assisted housing to determine that all contracted work has been completed and that the project complies with the property standards of §92.251.
- (ii) *Ongoing periodic inspections of HOME-assisted rental housing.* During the period of affordability, the participating jurisdiction must perform on-site inspections of HOME-assisted rental housing to determine compliance with the property standards of §92.251 and to verify the information submitted by the owners in accordance with the requirements of §92.252. The inspections must be in accordance with the inspection procedures that the participating jurisdiction establishes to meet the inspection requirements of §92.251.
 - (A) The on-site inspections must occur within 12 months after project completion and at least once every 3 years thereafter during the period of affordability.

CITY OF GARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(B) If there are observed deficiencies for any of the inspectable items in the property standards established by the participating jurisdiction, in accordance with the inspection requirements of §92.251, a follow-up on-site inspection to verify that deficiencies are corrected must occur within 12 months. The participating jurisdiction may establish a list of non-hazardous deficiencies for which correction can be verified by third party documentation (e.g., paid invoice for work order) rather than re-inspection. Health and safety deficiencies must be corrected immediately, in accordance with §92.251. The participating jurisdiction must adopt a more frequent inspection schedule for properties that have been found to have health and safety deficiencies.

(C) The property owner must annually certify to the participating jurisdiction that each building and all HOME- assisted units in the project are suitable for occupancy, taking into account State and local health, safety, and other applicable codes, ordinances, and requirements, and the ongoing property standards established by the participating jurisdiction to meet the requirements of §92.251.

(D) Inspections must be based on a statistically valid sample of units appropriate for the size of the HOME-assisted project, as set forth by HUD through notice. For projects with one-to-four HOME-assisted units, participating jurisdiction must inspect 100 percent of the HOME-assisted units and the inspectable items (site, building exterior, building systems, and common areas) for each building housing HOME-assisted units.

(iii) *Annual inspections.* Tenant- based rental assistance (TBRA). All housing occupied by tenants receiving HOME tenant-based rental assistance must meet the standards in 24 CFR 982.401 or the successor requirements as established by HUD. The participating jurisdiction must perform annual on-site inspections of rental housing occupied by tenants receiving HOME-assisted TBRA to determine compliance with these standards."

The City was not in compliance with the Special Tests and Provisions for Housing Quality Standards requirements for this program. Failure to comply with these requirements may cause the City to be ineligible to receive future federal funds.

We recommended that officials comply with the Special Tests and Provisions for Housing Quality Standards requirements of the program.

FINDING 2013-007 - INTERNAL CONTROLS - HIGHWAY PLANNING AND CONSTRUCTION

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction, ARRA - Highway Planning and Construction

CFDA Number: 20.205

Federal Award Numbers: DES# 0600750, DES# 0300679, DES# 1005923, DES# 1173663,
DES# 0901762, DES# 1173715, DES# 0901820, DES# 0901824,
DES# 0901818

Pass-Through Entity: Indiana Department of Transportation

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect on the program. This includes the following compliance requirements: Activities

CITY OF GARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Allowed, Allowable Costs, Cash Management, Equipment and Real Property Management, Matching, and 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 City Controller's Office has written grant management policies and procedures effective December 28, 2012; however, the procedures regarding reconciliation of grants were not properly implemented.

Activities Allowed and Allowable Costs

Per the City's Grant Management Policies and Procedures: "All City of Gary's participant of grants shall perform a separate reconciliation for each award on a monthly or quarterly basis. Each approved grant fund shall have a Fiscal Officer or designated personnel, who are responsible for managing, balancing and reconciling the funds on a regular basis (at least monthly or quarterly). The Department Head shall appoint a Fiscal Officer or Reconciler of grant funds; however the designated individual may not approve their own reconciliation. Reconciler refers to a designated employee or department head that is responsible for comparing each transaction against the City's financial system (RDS) to verify cash; budget and revenue reports have been recorded accurately for the quarterly or annually in the Federal Reporting Systems. Reconcile revenue with the expenditures and compare budget versus actual, look for any differences between actual and expected amounts. Reconciler is responsible for investigating all differences in a timely manner but not to exceed 30 days. Each department or agency head is responsible for maintaining accurate departmental records that support the activity of each grant account."

The Public Works Department failed to maintain grant files in accordance with the City's Grant Management Policies and Procedures. Not all documentation was readily available for audit; some grant agreements had to be obtained from the Indiana Department of Transportation (INDOT). In addition, the Public Works Department could not easily provide the supporting accounts payable vouchers or invoices that were associated with a claim for reimbursement, although the documentation was eventually provided. Furthermore, a review process of the claim for reimbursement has not been established to ensure that only allowable costs related to allowable activities are included on the claim for reimbursement. A separate reconciliation of each award was not performed by the Public Works Department in accordance with the City's written policies and procedures.

Cash Management and Matching

The Public Works Department prepares the claims for reimbursement which include a total for the allowable cost and a total for the percentage that INDOT will reimburse the City based upon the required match. The submitted claims for reimbursement were prepared by one individual without a system of oversight or review prior to submission. The lack of oversight controls does not allow for the prevention, or detection and correction, of noncompliance with the applicable requirements on a timely basis.

Equipment and Real Property Management

The City does not have effective policies and procedures in place to account for and safeguard assets, including those purchased with federal funds. In addition, the City's capital asset records do not identify those assets purchased with federal funds.

CITY OF GARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Suspension and Debarment

Per the City's Grant Management Policies and Procedures: "Agencies shall verify and document the vendor, contractor and subcontractor is not suspended or debarred by accessing the Excluded Parties List System (ELPS): www.epls.gov/epls/search. Agencies shall document this verification. The supporting document must be attached or included with all Quotes, Bids, Awards and Contracts. The search should include the following information and printed as proof of eligibility or ineligibility . . ."

A system to monitor or review compliance with the City's established procedures regarding Suspension and Debarment was not implemented.

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 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 the compliance requirements noted above that have a direct and material effect on the program.

FINDING 2013-008 - EQUIPMENT AND REAL PROPERTY MANAGEMENT - HIGHWAY PLANNING AND CONSTRUCTION AND ASSISTANCE TO FIREFIGHTERS GRANT

Federal Agencies: Department of Transportation, Department of Homeland Security
Federal Programs: Highway Planning and Construction, Assistance to Firefighters Grant
CFDA Numbers: 20.205, 97.044
Federal Award Numbers: DES# 0901762, EMW-2010-FO-09870
Pass-Through Entity: Indiana Department of Transportation

The City received federal funds from the U.S. Department of Transportation via the Indiana Department of Transportation and from the Department of Homeland Security's Federal Emergency Management Agency (FEMA) to purchase equipment. The U.S. Department of Transportation and FEMA required the City to maintain inventory records of the equipment purchased with the grant funds.

CITY OF GARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The City inventoried equipment purchased with federal grant funds in 2013 and attempted to include the additions in the City's capital asset equipment records. The City does maintain spreadsheets by department that identify equipment and other property acquired with federal funds. The City added the equipment to its official capital asset records; however, although the City's capital asset accounting software has the capability to separately identify items acquired with federal funds, the information is not recorded in the system. Therefore, the City did not reconcile the physical inventory to the capital asset records.

49 CFR 18.32 and 44 CFR 13.32, Equipment states:

"(d) *Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated. . .
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

Failure to maintain detailed and accurate equipment and property records, to perform periodic physical inventories, and to reconcile physical inventories to the records could result in assets being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

We recommended that officials ensure that accurate, detailed capital asset records are maintained and that inventories of Property and Equipment are conducted and reconciled with a detailed capital asset records at least once every two years. Any significant differences should be investigated and the appropriate adjustments made to the records. Also any assets acquired with federal funds must be identified as such so that they are not disposed of improperly.

CITY OF GARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2013-009 - SUSPENSION AND DEBARMENT - HIGHWAY PLANNING AND CONSTRUCTION AND ASSISTANCE TO FIREFIGHTERS GRANT

Federal Agencies: Department of Transportation, Department of Homeland Security
Federal Programs: Highway Planning and Construction, Assistance to Firefighters Grant
CFDA Numbers: 20.205, 97.044
Federal Award Numbers: DES# 1005923, DES# 1173715, EMW-2010-FO-09870
Pass-Through Entity: Indiana Department of Transportation

The U.S. Department of Transportation and the Department of Homeland Security's Federal Emergency Management Agency (FEMA) required the City to verify that awarded contracts related to projects funded with federal grants were not awarded to suspended or debarred entities. The City failed to check the Excluded Parties List System, collect a certification from the entity, or add a clause or condition to the contract.

Per the City's Grant Management Policies and Procedures: "Agencies shall verify and document the vendor, contractor and subcontractor is not suspended or debarred by accessing the Excluded Parties List System (ELPS): www.epls.gov/epls/search. Agencies shall document this verification. The supporting document must be attached or included with all Quotes, Bids, Awards and Contracts. The search should include the following information and printed as proof of eligibility or ineligibility . . ." (As of November 21, 2012, exclusions can be found through the System of Award Manager Center at www.sam.gov)

49 CFR 18.35 and 44 CFR 13.35, Subawards to debarred and suspended parties state:

"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.'"

The City was not in compliance with their established procedures regarding Suspension and Debarment and was not in compliance with the Suspension and Debarment requirements in the grant agreements for these programs. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on the programs could result in the loss of federal funds to the City.

We recommended that officials comply with Suspension and Debarment requirements by ensuring that all contracts that will be financed with federal assistance are not awarded to an entity which has been suspended or debarred.

FINDING 2013-010 - INTERNAL CONTROLS - ASSISTANCE TO FIREFIGHTERS GRANT

Federal Agency: Department of Homeland Security
Federal Program: Assistance to Firefighters Grant
CFDA Number: 97.044
Federal Award Number: EMW-2010-FO-09870

Management of the City has not established an effective internal control system related to the grant agreement and some of the compliance requirements that have a direct and material effect on the program. This includes the following compliance requirements: Cash Management, Equipment and Real Property Management, and Suspension and Debarment. The failure to establish an effective internal control system

CITY OF GARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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.

Cash Management

Per the City's Grant Management Policies and Procedures: "Draw-downs must be done in a timely and accurate manner according to terms and conditions required by the grantor."

The City received Operations and Safety Grant funds in advance of the expenditure; however, they do not have controls in place to monitor whether grant funds are spent within 30 days of their receipt in accordance with the grant agreement.

Equipment and Real Property Management

The City does not have effective policies and procedures in place to account for and safeguard assets, including those purchased with federal funds.

Suspension and Debarment

Per the City's Grant Management Policies and Procedures: "Agencies shall verify and document the vendor, contractor and subcontractor is not suspended or debarred by accessing the Excluded Parties List System (ELPS): www.epls.gov/epls/search. Agencies shall document this verification. The supporting document must be attached or included with all Quotes, Bids, Awards and Contracts. The search should include the following information and printed as proof of eligibility or ineligibility . . ."

A system to monitor or review compliance with the City's established procedures regarding Suspension and Debarment was not implemented.

An internal control system 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 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 the compliance requirements noted above that have a direct and material effect on the program.

CITY OF GARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2013-011 - ACTIVITIES ALLOWED AND ALLOWABLE COSTS - ASSISTANCE TO FIREFIGHTERS GRANT

Federal Agency: Department of Homeland Security
Federal Program: Assistance to Firefighters Grant
CFDA Number: 97.044
Federal Award Number: EMW-2010-FH-00740

The City was awarded a Staffing for Adequate Fire and Emergency Response (SAFER) Hiring Grant on May 5, 2011. The award of \$3,753,099 was to hire 34 firefighters. The approved grant budget was \$2,739,489 for personnel (salary) and \$1,013,610 for the related fringe benefits. In July 2011, the City hired 32 firefighters and began recording their gross salary and related benefits to the Firefighter SAFER Grant Fund (#812) (grant fund) which was established to account for the financial activity of this grant.

The City did not properly implement effective controls to ensure that the disbursements recorded in the grant fund agreed with the amounts submitted for reimbursement or that only allowable costs for allowable activities were charged to the grant. The City Controller's Office has written grant management policies and procedures effective December 28, 2012; however, the procedures regarding reconciliation of grants were not properly implemented.

Per the City's Grant Management Policies and Procedures: "All City of Gary's participant of grants shall perform a separate reconciliation for each award on a monthly or quarterly basis. Each approved grant fund shall have a Fiscal Officer or designated personnel, who are responsible for managing, balancing and reconciling the funds on a regular basis (at least monthly or quarterly). The Department Head shall appoint a Fiscal Officer or Reconciler of grant funds; however the designated individual may not approve their own reconciliation. Reconciler refers to a designated employee or department head that is responsible for comparing each transaction against the City's financial system (RDS) to verify cash; budget and revenue reports have been recorded accurately for the quarterly or annually in the Federal Reporting Systems. Reconcile revenue with the expenditures and compare budget versus actual, look for any differences between actual and expected amounts. Reconciler is responsible for investigating all differences in a timely manner but not to exceed thirty days."

A reconciliation of the disbursements recorded in the grant fund to the Requests for Funds submitted to the grantor agency was not performed. In addition, the Request for Funds submitted to the grantor agency was prepared by the Fire Department's Deputy Chief based on a Payroll Gross Pay Distribution Report from the Finance Department for a specific date range. The recorded disbursements of the grant fund were not the basis for the preparation of the Request of Funds.

These deficiencies enabled allowable grant disbursements to be recorded in the wrong fund and unallowable disbursements to be recorded in the grant fund. Due to their failure to perform the reconciliements, the following errors were not detected or corrected.

1. The City received reimbursement of \$185,471.11 for pension costs for the period November 11, 2012 to August 12, 2013; however, \$211,653.96 in pension costs were recorded in the grant fund for that period. The actual allowable employer pension costs paid by the City were \$205,310.14. The City failed to request reimbursement of \$19,839.03 of allowable pension benefit costs.
2. The City recorded unallowable costs of \$191,362.97 to the grant fund; \$67,338.71 for the salary and benefits of two firefighters and \$124,024.26 for unscheduled overtime for all firefighters paid from the grant fund. The City has not requested reimbursement of these costs; therefore, questioned costs are not reported.

CITY OF GARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

3. The City was reimbursed \$80,659.62 for allowable costs which were recorded in the City's General fund instead of the grant fund; \$62,282 for employer health benefit costs and \$18,377.62 for salaries and benefits.

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."

44 CFR 13.20 Standards for financial management systems states in part:

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

- (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.
- (3) *Internal control.* Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.
- (4) *Budget control.* Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. If unit cost data are required, estimates based on available documentation will be accepted whenever possible.
- (5) *Allowable cost.* Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allowability of costs."

The failure to establish effective internal controls enabled noncompliance to go 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 City officials ensure that only allowable costs for allowable activities are charged to the grant.

CITY OF GARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2013-012 - CASH MANAGEMENT - ASSISTANCE TO FIREFIGHTERS GRANT

Federal Agency: Department of Homeland Security
Federal Program: Assistance to Firefighters Grant
CFDA Number: 97.044
Federal Award Number: EMW-2010-FO-09870

The City requested cash in advance of the actual expenditures for equipment from an Assistance to Firefighters Grant. When funds are advanced, recipients must follow procedures to minimize the time elapsed between the transfer of funds from the U.S. Treasury and disbursement of the funds.

The Department of Homeland Security's Federal Emergency Management Agency (FEMA), administers the Assistance to Firefighters Grant. The FEMA Request for Funds submitted by the City on September 30, 2013 stated: "It is a Federal requirement to minimize the time Federal funds are held before spending the funds. All requested funds should be spent within 30 days of receipt. If the funds are not spent by you within 30 days, you may be liable for the Treasury's interest costs."

The City received two cash advances in 2013 totaling \$251,774 for the Assistance to Firefighters Grant. Neither cash advance was expended within 30 days; they were held for 73 and 91 days, respectively, before being disbursed.

44 CFR 13.21 Payment states in part:

"(b) *Basic standard.* Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205.

(c) *Advances.* Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee."

Surplus cash indicates noncompliance with the Cash Management requirement as set forth by the grant agreement. Additionally, failure to minimize the cash on hand may require the recipient to file future claims on the reimbursement for costs incurred method, per page 64, of the 2010 Assistance to Firefighters Grant Application.

We recommended that officials comply with the FEMA directives and Cash Management guidelines by only requesting federal funds when expenses will occur within the next 30 days.

(This page intentionally left blank.)

AUDITEE PREPARED DOCUMENTS

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



City Of Gary

KAREN M. FREEMAN-WILSON
Mayor

DEPARMTENT OF COMMUNITY DEVELOPMENT
839 Broadway, Suite 302 N
Gary, Indiana 46402
(219) 881-5075 / Fax (219) 881-5085

ARLENE D. COLVIN
Director

E. NIKOLE RUMPH
Deputy Director

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-03 INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE COMMUNITY DEVELOPMENT BLOCK GRANTS/-ENTITLEMENT GRANTS

Original Assigned SBA Audit Report Number: B42713
Report Period: 01/01/2012-12/31/2012
Pass-Through Entity or Federal Grantor Agency: Direct
Contact Person Responsible for Corrective Action: Arlene Colvin, Director of Community Development
Contact Phone Number: (219) 881-5075

In the month of February, 2013, the Department of Community Development created a Purchase/Redemption Form to be completed in the acquisition/disposal of capital assets (including real property). Although the Purchase/Redemption Form had not been submitted to the Internal Auditor in the Finance Department at the time, the inventory of equipment and real property was reconciled at year end as inventory reconciliation is conducted annually by the Internal Auditor. The Purchase/Redemption Form will be submitted to the Internal Auditor in the Finance Department by April 28, 2014.

During the month of February, 2013, the Housing Services Division/Construction Services Division of the Community Development Department implemented a divisional Case File Checklist to ensure proper supporting documentation is included in each case file.

Additionally, as of August, 2013 a procedure was implemented to inform all sub-recipients of the requirement to register on SAM.gov to verify suspension or debarment status. All contracts with sub-recipients include the suspension and debarment clause; a search is conducted via the SAM.gov website to determine suspension and debarment status before contracts are awarded to sub-recipients.

Arlene Colvin
(Signature)

Director
(Title)

04/24/14
(Date)



City Of Gary

KAREN M. FREEMAN-WILSON
Mayor

DEPARTMENT OF COMMUNITY DEVELOPMENT
839 Broadway, Suite 302 N
Gary, Indiana 46402
(219) 881-5075 / Fax (219) 881-5085

ARLENE D. COLVIN
Director

E. NIKOLE RUMPH
Deputy Director

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-04: INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO ARRA – LEAD-BASED PAINT HAZARD CONTROL IN PRIVATELY-OWNED HOUSING

Original Assigned SBA Audit Report Number: B42713
Report Period: 01/01/2012-12/31/2012
Pass-Through Entity or Federal Grantor Agency: Direct
Contact Person Responsible for Corrective Action: Arlene Colvin, Director
Contact Phone Number: (219) 881-5075

The ARRA – Lead-Based Paint Hazard Control in Privately-Owned Housing Grant is closed; however, following procedures were implemented in the month of May 2013, to provide future internal control over compliance.

Quarterly assessments were implemented by the Fiscal Manager of the Department to compare appropriation levels with projected needs. The assessment shall be distributed to appropriate management and project members to ensure that funds are properly monitored.

A provision requiring compliance with the Davis-Bacon Act was added to all current construction contracts and will be a part of any contracts that might be awarded under a future grant. For future grant eligibility, a procedure has been established to maintain completed worksheets in projects files with staff sign-off (as appropriate) and program manager's verification that documentation is complete with final sign-off.

The Fiscal Division maintains appropriate supporting documentation for matching and reporting requirements that must be met on current grants, verifies match requirements on a quarterly basis and retains documentation to support the verification. Program Managers are responsible for monitoring and completing reporting requirements and shall maintain appropriate documentation.

The Fiscal Manager and the appropriate program manager coordinates spending and activities to ensure that grant funds are obligated within the period of availability. Regarding Procurement, Suspension and Debarment, checklists are initialed by the person receiving documentation and Program Managers are now responsible for the final sign-off on all file documentation.

The Department's Fiscal Operations and Program Monitoring Manual is in the process of being revised to include additional provisions relating to internal controls and segregation of duties to ensure that proper oversight and review are accomplished.

The Fiscal Division maintains appropriate supporting documentation for matching and reporting requirements that must be met on current grants, verifies match requirements on a quarterly basis and retains documentation to support the verification. Program managers are responsible for monitoring and completing reporting requirements and shall maintain appropriate documentation.

The Fiscal Manager and the appropriate program manager coordinates spending and activities to ensure that grant funds are obligated within the period of availability. Regarding Procurement, Suspension, and Debarment, checklists are initialed by the person receiving the documentation; and Program managers are responsible for the final sign-off on all file documentation.

The Department's Fiscal Operations Program Monitoring Manual is in the process of being revised to include additional provisions relating to internal controls and segregation of duties to ensure that proper oversight and review are accomplished.

Melene Colven

(Signature)

Director

(Title)

4/24/14

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b).)



City Of Gary

KAREN M. FREEMAN-WILSON
Mayor

DEPARMTMENT OF COMMUNITY DEVELOPMENT
839 Broadway, Suite 302 N
Gary, Indiana 46402
(219) 881-5075 / Fax (219) 881-5085

ARLENE D. COLVIN
Director

E. NIKOLE RUMPH
Deputy Director

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-05: COMPLIANCE OVER CASH MANAGEMENT REQUIREMENT RELATED TO ARRA - LEAD-BASED PAINT HAZARD CONTROL IN PRIVATELY-OWNED HOUSING

Original Assigned SBA Audit Report Number: B42713
Report Period: 01/01/2012-12/31/2012
Pass-Through Entity or Federal Grantor Agency: Direct
Contact Person Responsible for Corrective Action: Arlene Colvin, Director
Contact Phone Number: (219) 881-5075

Although, the ARRA –Lead-Based Paint Hazard Control in Privately-Owned Housing Grant is closed , as of May 2013, on any current and future grants, the Fiscal Manager and the appropriate program manager coordinates spending and activities so as to minimize the time lapse between receipt and expenditure of federal funds. Funds are only drawn down for current expenditures.

Arlene Colvin

(Signature)

Director

(Title)

04/24/14

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b).)



City Of Gary

KAREN M. FREEMAN-WILSON
Mayor

DEPARTMENT OF COMMUNITY DEVELOPMENT
839 Broadway, Suite 302 N
Gary, Indiana 46402
(219) 881-5075 / Fax (219) 881-5085

ARLENE D. COLVIN
Director

E. NIKOLE RUMPH
Deputy Director

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-06: COMPLIANCE OVER DAVIS-BACON REQUIREMENT RELATED TO ARRA - LEAD-BASED PAINT HAZARD CONTROL IN PRIVATELY- OWNED HOUSING

Original Assigned SBA Audit Report Number: B42713
Report Period: 01/01/2012-12/31/2012
Pass-Through Entity or Federal Grantor Agency: Direct
Contact Person Responsible for Corrective Action: Arlene Colvin, Director
Contact Phone Number: (219) 881-5075

Although, the ARRA –Lead-Based Paint Hazard Control in Privately-Owned Housing Grant is closed, as of May 2013, a provision requiring compliance with the Davis-Bacon Act has been added to all current and will be part of any future contracts.,

Arlene Colvin
(Signature)

Director

(Title)

4/24/14

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b).)



City Of Gary

KAREN M. FREEMAN-WILSON
Mayor

DEPARTMENT OF COMMUNITY DEVELOPMENT
839 Broadway, Suite 302 N
Gary, Indiana 46402
(219) 881-5075 / Fax (219) 881-5085

ARLENE D. COLVIN
Director

E. NIKOLE RUMPH
Deputy Director

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-07: COMPLIANCE OVER MATCHING AND REPORTING REQUIREMENTS RELATED TO ARRA - LEAD-BASED PAINT HAZARD CONTROL IN PRIVATELY-OWNED HOUSING

Original Assigned SBA Audit Report Number: B42713
Report Period: 01/01/2012-12/31/2012
Pass-Through Entity or Federal Grantor Agency: Direct
Contact Person Responsible for Corrective Action: Arlene Colvin, Director
Contact Phone Number: (219) 881-5075

Although, the ARRA – Lead-Based Paint Hazard Control in Privately-Owned Housing Grant is closed, where there are matching and reporting requirements in other current and future grants, as of May 2013, the Fiscal Manager and the Compliance Manager (as appropriate) monitors and documents match requirements and retains copies of all reports.

Arlene Colvin

(Signature)

Director

(Title)

04/24/14

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b).)



City Of Gary

KAREN M. FREEMAN-WILSON
Mayor

DEPARTMENT OF COMMUNITY DEVELOPMENT
839 Broadway, Suite 302 N
Gary, Indiana 46402
(219) 881-5075 / Fax (219) 881-5085

ARLENE D. COLVIN
Director

E. NIKOLE RUMPH
Deputy Director

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-08: INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE HOME INVESTMENT PARTNERSHIPS PROGRAM

Original Assigned SBA Audit Report Number: B42713
Report Period: 01/01/2012-12/31/2012
Pass-Through Entity or Federal Grantor Agency: Direct
Contact Person Responsible for Corrective Action: Arlene Colvin, Director
Contact Phone Number: (219) 881-5075

A Managerial Review was immediately implemented for Eligibility. The first client review was conducted as December, 2013. Determinations are reviewed and approved by management to ensure that final approval is not provided by the person who makes the initial determination. Final determination and documentation is maintained in the files.

In addition, all contracts with CHDOs include the suspension and debarment clause and a search is conducted at the SAM.gov website to determine suspension and debarment status prior to contracts being awarded to them. All CHDOs have been informed that the suspension or debarment status of any vendor they utilize funded with HOME dollars must be checked at the SAM.gov website and the suspension and debarment clause should be included in their contracts as well.

All reports are now prepared by staff and reviewed by management to ensure segregation of duties. All such reports are retained in the files.

Regarding Special Tests and Provisions -Maximum per Unit Subsidy, a new HOME Rule has been implemented regarding Underwriting, Subsidy Layering and Project Evaluation. Within these key changes, the Maximum per Unit Subsidy is calculated for all projects. The HUD Technical Assistants assigned to this Department created an Underwriting Workbook to calculate the same. Project expenditures are monitored to ensure that the maximum is not exceeded and assessment is documented in the project files.

(Signature)

Director

(Title)

04/24/14

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b).)



City Of Gary

KAREN M. FREEMAN-WILSON
Mayor

DEPARTMENT OF COMMUNITY DEVELOPMENT
839 Broadway, Suite 302 N
Gary, Indiana 46402
(219) 881-5075 / Fax (219) 881-5085

ARLENE D. COLVIN
Director

E. NIKOLE RUMPH
Deputy Director

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-09: COMPLIANCE OVER REPORTING REQUIREMENTS RELATED TO HOME INVESTMENT PARTNERSHIP

Original Assigned SBA Audit Report Number: B42713
Report Period: 01/01/2012-12/31/2012
Pass-Through Entity or Federal Grantor Agency: Direct
Contact Person Responsible for Corrective Action: Arlene Colvin, Director
Contact Phone Number: (219) 881-5075

As of May, 2013, The Construction Services Division, Housing Services Division, Compliance Division and HOME Division have participated in training relating to Section III requirements. The Annual Section III Reports provide the required documentation needed to support the numbers contained in the report.



(Signature)

Director

(Title)

04/24/14

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b).)



City Of Gary

KAREN M. FREEMAN-WILSON
Mayor

DEPARTMENT OF COMMUNITY DEVELOPMENT
839 Broadway, Suite 302 N
Gary, Indiana 46402
(219) 881-5075 / Fax (219) 881-5085

ARLENE D. COLVIN
Director

E. NIKOLE RUMPH
Deputy Director

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2012-10: COMPLIANCE OVER SPEICAL TEST AND PROVISIONS-
MAXIMUM PER UNIT SUBSIDY REQUIREMENT RELATED TO HOME INVETMENT
PARTNERSHIPS PROGRAM**

Original Assigned SBA Audit Report Number: B42713
Report Period: 01/01/2012-12/31/2012
Pass-Through Entity or Federal Grantor Agency: Direct
Contact Person Responsible for Corrective Action: Arlene Colvin, Director
Contact Phone Number: (219) 881-5075

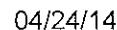
As of August, 2013, The Maximum per Unit Subsidy information is maintained in the appropriate project file. Calculations are made to ensure that the subsidy is not exceeded and the same is documented in the appropriate file.



(Signature)



(Title)



(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b).)



City Of Gary

KAREN M. FREEMAN-WILSON
Mayor

DEPARTMENT OF COMMUNITY DEVELOPMENT
839 Broadway, Suite 302 N
Gary, Indiana 46402
(219) 881-5075 / Fax (219) 881-5085

ARLENE D. COLVIN
Director

E. NIKOLE RUMPH
Deputy Director

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-11: INTERNAL CONTROLS AND COMPLIANCE OVER ALLOWABLE COSTS RELATED TO ARRA -HOMELESSNESS PREVENTION AND RAPID RE-HOUSING PROGRAM (HPRP)

Original Assigned SBA Audit Report Number: B42713
Report Period: 01/01/2012-12/31/2012
Pass-Through Entity or Federal Grantor Agency: Direct
Contact Person Responsible for Corrective Action: Arlene Colvin, Director
Contact Phone Number: (219) 881-5075

Although the HPRP grant is closed, the Department implemented a policy in 2012 whereby payments are now made directly to vendors. The reimbursement clause has been removed from contracts with sub-recipients in order to ensure that this problem no longer arises.

Arlene Colvin

(Signature)

Director

(Title)

4/24/14

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b).)



City Of Gary

KAREN M. FREEMAN-WILSON
Mayor

DEPARTMENT OF COMMUNITY DEVELOPMENT
839 Broadway, Suite 302 N
Gary, Indiana 46402
(219) 881-5075 / Fax (219) 881-5085

ARLENE D. COLVIN
Director

E. NIKOLE RUMPH
Deputy Director

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-12: INTERNAL CONTROLS OVER PERIOD OF AVAILABILITY RELATED TO ARRA – HOMELESSNESS PREVENTION AND RAPID RE-HOUSING PROGRAM (HPRP)

Original Assigned SBA Audit Report Number: B42713
Report Period: 01/01/2012-12/31/2012
Pass-Through Entity or Federal Grantor Agency: Direct
Contact Person Responsible for Corrective Action: Arlene Colvin, Director
Contact Phone Number: (219) 881-5075

Although the HPRP grant is closed, as of the May 2013, the Department implemented a procedure where the Fiscal Manager, on a quarterly basis, checks the availability of funds (IDIS Report PR-56/CDBG Timeliness Report for Period of Availability) and coordinates spending with project managers. This process is used to monitor the flow of spending and to ensure departmental adherence to spending deadlines and prevents a need to recapture funds.



(Signature)

Director

(Title)

4/24/14

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b).)



City Of Gary
 POLICE DEPARTMENT
 555 Polk Street
 Gary, Indiana 46402
 (219) 881-5200

KAREN M. FREEMAN-WILSON
 Mayor

WADE INGRAM
 Chief of Police

LARRY MCKINLEY
 Deputy Chief

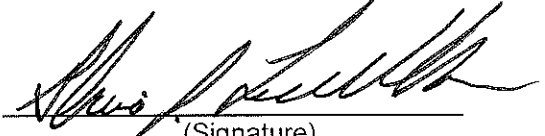
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-13: INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS

Original Assigned SBA Audit Report Number: B42713
 Report Period: 01/01/2012-12/31/2012
 Pass-Through Entity or Federal Grantor Agency: Direct
 Contact Person Responsible for Corrective Action: Gloria Lowe-Walker
 Contact Phone Number: (219) 881-7470

The above referenced grants are closed, and no additional draw-downs have been made since the 2012 audit completed in 2013. However, as of November 2013, new procedures have been developed and are in effect as new grants are acquired and disbursements are made. These procedures include the request of monthly Payroll Gross Pay Distribution Reports, Employee History reports, and General Ledger reports to document expenditures of the employee and employer. The reports will be maintained as supportive documentation for the reporting period and the source documentation for fund draw-downs.

All reports must be reviewed and signed for approval by the Chief of Police or his designee prior to online submission of that report. Signed and supportive documentation will be maintained in the files with the draw-down requests and confirmation. As part of the grant close out, the Director has obtained reports that were not available during the previous audit to reconcile the expenditures and receipts for the entire grant period, and is in the process making any necessary and amendments.



 (Signature)
 Director of Administration - See

 (Title)
 4/24/14

 (Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b).)



City Of Gary

POLICE DEPARTMENT
555 Polk Street
Gary, Indiana 46402
(219) 881-5200

KAREN M. FREEMAN-WILSON
Mayor

WADE INGRAM
Chief of Police

LARRY MCKINLEY
Deputy Chief

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

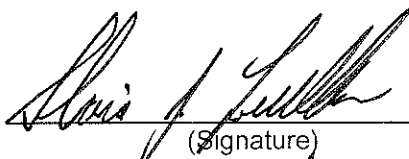
FINDING 2012-14: COMPLIANCE OVER CASH MANAGEMENT REQUIREMENTS THAT RELATES TO PUBLIC SAFETY AND COMMUNITY POLICING GRANTS

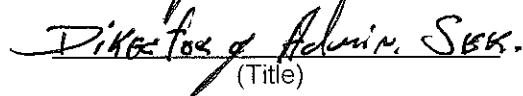
Original Assigned SBA Audit Report Number: B42713
Report Period: 01/01/2012-12/31/2012
Pass-Through Entity or Federal Grantor Agency: Direct
Contact Person Responsible for Corrective Action: Gloria Lowe-Walker
Contact Phone Number: (219) 881-7470

The above referenced grants are closed, and no additional draw-downs have been made since the 2012 audit completed in 2013. However, as of November 2013, new procedures have been developed and are in effect as new grants are acquired and disbursements are made.

For any existing grants and new grants, internal reports and source documents that support Cash management grant compliance are being used and maintained by the Administrative Staff.

Procedures were implemented to include drawn-down requests for reimbursement or advances and are documented by the financial system reports. Drawdown will occur upon receipt of the invoice, to assure timeliness in the expensing of funds that are drawn from the grant.



(Signature)


(Title)

04/24/14

(Date)

Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b).)



City Of Gary

POLICE DEPARTMENT
555 Polk Street
Gary, Indiana 46402
(219) 881-5200

KAREN M. FREEMAN-WILSON
Mayor

WADE INGRAM
Chief of Police

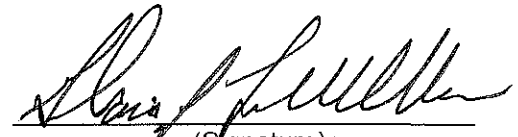
LARRY MCKINLEY
Deputy Chief

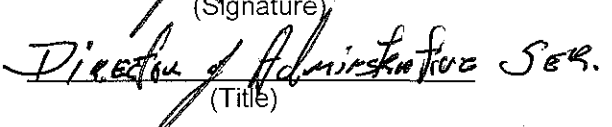
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-15: COMPLIANCE OVER REPORTING REQUIRMENTS RELATES TO THE PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS

Original Assigned SBA Audit Report Number: B42713
Report Period: 01/01/2012-12/31/2012
Pass-Through Entity or Federal Grantor Agency: Direct
Contact Person Responsible for Corrective Action: Gloria Lowe-Walker
Contact Phone Number: (219) 881-7470

The CHRP Grant closed, July 31, 2013. As of November 2013, the department implemented a procedure whereby the Police Department staff will reconcile with the Finance Department staff grant balances, payroll and general ledger expenditures, and drawdown receipt reports to assure that reports submitted are accurate and has proper documentation.



(Signature)


(Title)
04/24/14

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b).)



City Of Gary

KAREN M. FREEMAN-WILSON
Mayor

DEPARTMENT OF GREEN URBANISM/ENVIROMENTAL AFFAIRS
Gary Storm Water Management District
Gary, Indiana 46402
(219) 882-3000 Ext. 6749

Brenda Scott-Henry, MBA
Director/ MS4 Coordinator

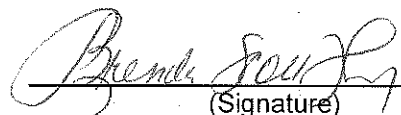
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-16: INTERNAL CONTROLS OVER COMPLIANCE REQUIRMENTS THAT HAVE A DIRECT AND MATERTIAL EFFECT TO THE ENERGY EFFICEENCY AND CONSERVATION BLOCK GRANT

Original Assigned SBA Audit Report Number: B42713
Report Period: 01/01/2012-12/31/2012
Pass-Through Entity or Federal Grantor Agency: Direct
Contact Person Responsible for Corrective Action: Brenda Scott Henry
Contact Phone Number: (219) 882-3000 Ext. 6749

The EECBG grant was completed and closed on December 2012. After the audit, following actions were implemented as November 2013:

1. Cash Management. All grants awarded to the department have work plans and detailed budgets that estimated expenses based on quarterly milestones or deliverables. The grant budget and fund account are established prior to accruing expenses or launching program activities. Approved and properly executed grant budgets are required by the Finance department before project expenses are processed.
2. Earmarking: A copy of quarterly financial reports is submitted to finance department.
3. Suspension and Debarment: Although this grant is closed, the department has been incorporated a monitoring process for other grant programs. A grant administrator was hired to manage and monitor contractor's activities to ensure the work plan deliverables are met in accordance with scope of services include reviewing and recommending approval of invoices. The Director approves all expense for payments.
4. Reporting. The project manger is responsible for preparing quarterly reports to include the review of expenses for approval by the Director. A copy of the quarterly/annual report is submitted to finance department for review and recordkeeping.



(Signature)

Director

(Title)

4/24/2014

(Date)



City Of Gary

KAREN M. FREEMAN-WILSON
Mayor

DEPARTMENT OF GREEN URBANISM/ENVIRONMENTAL AFFAIRS
Gary Storm Water Management District
Gary, Indiana 46402
(219) 882-3000 Ext. 6749

Brenda Scott-Henry, MBA
Director/ MS4 Coordinator

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-17: COMPLIANCE OVER SUSPENSION AND DEBARMENT REQUIREMENT RELATED TO THE ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT PROGRAM

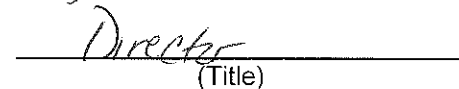
Original Assigned SBA Audit Report Number: B42713
Report Period: 01/01/2012-12/31/2012
Pass-Through Entity or Federal Grantor Agency: Direct
Contact Person Responsible for Corrective Action: Brenda Scott -Henry
Contact Phone Number: (219) 882-3000 Ext. 6749

The EECBG grant was completed and closed on December 2012. In the event, we received EECBG funding, as of date the actions required are follows:

Each bid packet includes a request for additional documented proof that any contractor, subcontractor, or assigned vendor is eligible for participation (not debarred or suspended) consistent with 10CFR 600.235.

Once awarded, each contract used will include the following language "by initialing here, you certify that your organization is currently eligible to receive contract and, further, that your organization is not suspended or debarred.


(Signature)


(Title)

04/24/14
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b).)



KAREN M. FREEMAN-WILSON
MAYOR

City Of Gary
FIRE DEPARTMENT
401 Broadway
Gary, Indiana 46402
(219) 881-5075 / Fax (219) 881-5085

TERESA EVERETT
FIRE CHIEF

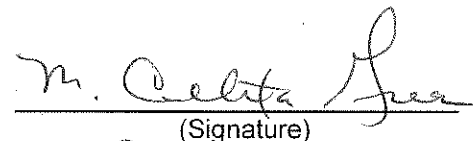
DARRYL SMITH
DEPUTY CHIEF

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

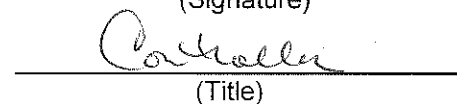
FINDING 2012-18: INTERNAL CONTROLS OVER COMPLIANCE REQUIRMENTS THAT HAVE A DIRECT AND MATERTIAL EFFECT TO THE ASSISTANCE TO FIREFIGHTER GRANT

Original Assigned SBA Audit Report Number: B42713
Report Period: 01/01/2012-12/31/2012
Pass-Through Entity or Federal Grantor Agency: Direct
Contact Person Responsible for Corrective Action: Daryl Smith
Contact Phone Number: (219) 881-5225

1. As of November, 2013, the Finance Department worked with the Fire Department to remove unallowable expenses from the 2013 Firefighter SAFER Grant as identified by the fire department. Expenses were reclassified and transferred, if found to be ineligible by the Fire Department, and current grant reports were amended where necessary.
- 2.-3. As of April 2013, the Fire had been approving the Request for Funds Report. Please see the attached Notification of Drawdown request fund as the support of the Internal Controls in place.



(Signature)



(Title)

04/24/14

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b).)



City Of Gary

Department of Finance

401 Broadway
Gary, Indiana 46402
(219) 881-1363 / Fax (219) 881-1340

KAREN M. FREEMAN
Mayor

M. CELITA GREEN
Director of Finance

MICHELE ROBY
Chief Accountant

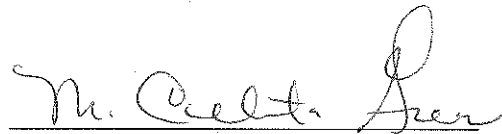
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NO. 2012-19 COMPLIANCE OVER ACTIVITIES ALLOWED/ALLOWABLE COSTS REQUIREMENTS RELATED TO THE ASSISTANCE TO FIREFIGHTERS GRANTS

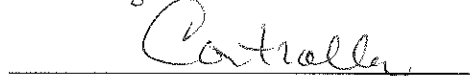
Original Assigned SBA Audit Report Number: B42713
Report Period : 01/01/2012-12-31-2012
Pass-Through Entity of Federal Grantor Agency: Direct
Contact Person Responsible for Corrective Action: Darryl Smith
Phone Number: 219-881-5225

In March 2013, the City’s Financial Software programmers corrected functions on the RDS system and the reports that generated Unemployment and Worker’s Compensation on the reports, but not in the system line items. Since there were no actual deductions for these expenses in the system, the Fire Department prepared an adjusted financial report and removed these expenses, then updated the Request for Funds drawdown by reducing the current periods requested to accommodate the adjustment.

The Fire Department developed a worksheet in November 2013, which reconciled the pay periods requested in the report to the pay dates covered by the reimbursement request. An additional reimbursement request was made for the periods omitted. Reimbursement was requested for the missing reported periods: 12/19/11 through 1/1/12; 1/2/12 through 1/15/12- salaries and fringes; 11/18/11 to 12/30/11-Medicare.



Signature



Title

04/24/14

Date



City Of Gary

Department of Finance

401 Broadway
Gary, Indiana 46402
(219) 881-1363 / Fax (219) 881-1340

KAREN M. FREEMAN
Mayor

TERESA EVERETT
FIRE CHIEF

DARYL SMITH
DEPUTY CHIEF

SUMMARY OF PRIOR AUDIT FINDINGS

FINDING NO. 2012-20 COMPLIANCE OVER REPORTING REQUIREMENTS RELATED TO THE ASSISTANCE TO FIREFIGHTERS GRANTS

Original Assigned SBA Audit Report Number: B42713
Report Period: 01/01/2012-12/31/2012
Pass-Through Entity of Federal Grantor Agency: Direct
Contact Person Responsibility for Corrective Action: Daryl Smith
Phone Number: 219-881-5225

For Reporting periods ending of December 31, 2012 and June 30, 2013, the Federal Financial Reporting on The SF425 has been reported on the cash accounting basis.

M. Cecilia Area

Signature

Contralla

Title

04/24/14

Date



City Of Gary

Department of Finance

KAREN M. FREEMAN-WILSON
Mayor

401 Broadway
Gary, Indiana 46402
(219) 881-1363 / Fax (219) 881-1340

M. CELITA GREEN
Director of Finance

MICHELE ROBY
Chief Accountant

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-21: INTERNAL CONTROLS COMPLIANCE OVER SPECIAL TESTS AND PROVISIONS FOR ARRA SPECIAL TEST-R2 PRESENTATION ON THE SCHEDULE OF EXPENDITURES FOR FEDERAL AWARDS

Original Assigned SBA Audit Report Number: B42713
Report Period: 01/01/2012-12/31/2012
Pass-Through Entity or Federal Grantor Agency: Direct
Contact Person Responsible for Corrective Action: M. Celita Green, Director of Finance
Contact Phone Number: (219) 881-1384

In December 2013, the City of Gary preparer for the SEFA followed the audited SEFA guidelines. In labeling ARRA grants. The SEFA reports include an ARRA prefix on all appropriate grants.

M. Celita Green
(Signature)
Controller
(Title)
04/24/14
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b).)



City Of Gary

Department of Finance

401 Broadway

Gary, Indiana 46402

(219) 881-1363 / Fax (219) 881-1340

www.gary.in.us

KAREN M. FREEMAN-WILSON

Mayor

M. CELITA GREEN

Director of Finance

MICHELE ROBY

Chief Accountant

CORRECTIVE ACTION PLAN

FINDING 2013-001 – INTERNAL CONTROLS AND COMPLIANCE OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: M. Celita Green

Contact Phone Number: (219) 881-1363

Description of Corrective Action Plan:

Although the City of Gary has made some improvements in the preparation of the SEFA, we recognize that additional improvements are needed to provide a completely accurate SEFA. For this reason, the City has hired a consultant to assist the City in developing internal controls across all departments to assure that information submitted is accurate, as well as information entered for the SEFA is accurate. In the case of the exclusion \$2 million dollars for the NSP grant, the funds were included on the SEFA prepared spreadsheet, however, it was not properly entered in the Gateway system for SEFA .

The City is also in the process of hiring a more experienced Grant Administrator for a position that has become available during this audit. We expect continued implementation and overseeing of the internal controls that the consultant will implement from the Grant Administrator, along with the Internal Auditor.

Anticipated Completion Date:

November 30, 2014

M. Celita Green

(Signature)

City Controller

(Title)

8/28/14

(Date)



City Of Gary

KAREN M. FREEMAN-WILSON
Mayor

DEPARTMENT OF COMMUNITY DEVELOPMENT
839 Broadway, Suite 302 N
Gary, Indiana 46402
(219) 881-5075 / Fax (219) 881-5085

ARLENE D. COLVIN
Director

E. NIKOLE RUMPH
Deputy Director

CORRECTIVE ACTION PLAN

FINDING 2013-002 - INTERNAL CONTROLS - COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS

Contact Person Responsible for Corrective Action: Arlene D. Colvin
Contact Phone Number: (219) 881-5075

Description of Corrective Action Plan:

Equipment and Real Property Management: The Department put into use a Land Inventory Form as an internal control to ensure that properties purchased or sold were added to or removed from detailed capital asset record at the end of 2013. However, the reconciliation between the Community Development Department and the Finance Department did not occur until 2014.

The Community Development Department will continue to utilize the Land Inventory Form format for keeping track of properties. Reconciliation with the Finance Department will occur on or before December 15, 2014 and will continue thereafter on an annual basis.

Suspension and Debarment: The Community Development Department now requires the Redevelopment Department to submit a Suspension and Debarment Spreadsheet that details all information needed to determine if contractors are debarred or suspended. This spreadsheet is to be submitted on a quarterly basis. Additionally, the Subrecipient Monitoring Checklist has been amended to include a provision requiring an examination for suspension and debarment.

Reporting: The Department will implement policies and procedures to ensure that all required reports are accurately prepared and timely submitted. These procedures will include provisions to ensure that reports are not prepared and reviewed by the same person. These changes will ensure that there is not a situation where there is a material noncompliance.

Anticipated Completion Date:

Equipment and Real Property Management: December 15, 2014

Suspension and Debarment: Completed

Reporting: October 1, 2014

Arlene Colvin
(Signature)

Director
(Title)

08/28/14



City Of Gary

KAREN M. FREEMAN-WILSON
Mayor

DEPARMTENT OF COMMUNITY DEVELOPMENT
839 Broadway, Suite 302 N
Gary, Indiana 46402
(219) 881-5075 / Fax (219) 881-5085

ARLENE D. COLVIN
Director

E. NIKOLE RUMPH
Deputy Director

CORRECTIVE ACTION PLAN

FINDING 2013-003- SUSPENSION AND DEBARMENT – COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS

Contact Person Responsible for Corrective Action: Arlene D. Colvin
Contact Phone Number: (219) 881-5075

Description of Corrective Action Plan:

As of May, 2014, the Community Development Department now requires the Redevelopment Department to submit a Suspension and Debarment Spreadsheet that details all information needed to determine if contractors are debarred or suspended. This spreadsheet is to be submitted on a quarterly basis.

Additionally, in July, 2014, a step-by-step correspondence was sent to the Redevelopment Department from our compliance division outlining the process for verifying the suspension and debarment of contractors.

An on-site monitoring review will take place on September 3, 2014 to do an in-depth examination of files to determine continued compliance.

Anticipated Completion Date:

September 30, 2014

Arlene Colvin
(Signature)

Director
(Title)

08/28/14
(Date)



City Of Gary

KAREN M. FREEMAN-WILSON
Mayor

DEPARMTENT OF COMMUNITY DEVELOPMENT
839 Broadway, Suite 302 N
Gary, Indiana 46402
(219) 881-5075 / Fax (219) 881-5085

ARLENE D. COLVIN
Director

E. NIKOLE RUMPH
Deputy Director

CORRECTIVE ACTION PLAN

FINDING 2013-004- REPORTING – COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS AND HOME INVESTMENT PARTNERSHIPS PROGRAMS

Contact Person Responsible for Corrective Action: Arlene D. Colvin
Contact Phone Number: (219) 881-5075

Description of Corrective Action Plan:

Community Development Block Grant/Entitlement Grants: Prior year reports will be reviewed. Total contract awards will be correctly reported in the future. Staff has been provided with additional information to assist with the Section 3 reporting process so errors are prevented in the future.

HOME Investment Partnerships Program: It is unclear why the numbers in the report are considered inaccurate. Most of the businesses utilized by the Department are small and do not habitually hire new employees to accomplish the covered work. We would need additional information to adequately respond to this finding.

Anticipated Completion Date:

September 30, 2014

Arlene Colvin
(Signature)

Director
(Title)

08/28/14
(Date)



City Of Gary

KAREN M. FREEMAN-WILSON
Mayor

DEPARTMENT OF COMMUNITY DEVELOPMENT
839 Broadway, Suite 302 N
Gary, Indiana 46402
(219) 881-5075 / Fax (219) 881-5085

ARLENE D. COLVIN
Director

E. NIKOLE RUMPH
Deputy Director

CORRECTIVE ACTION PLAN

FINDING 2013-005 – INTERNAL CONTROLS - HOME INVESTMENT PARTNERSHIPS PROGRAM

Contact Person Responsible for Corrective Action: Arlene D. Colvin
Contact Phone Number: (219) 881-5075

Description of Corrective Action Plan:

Eligibility: The Department will implement a process to monitor the Continuum of Care to ensure that eligibility for the Tenant Based Rental Assistance Program is being accurately determined. The Department's procedures will be amended to determine an annual date for compliance monitoring.

Reporting: The reporting process will be modified so that appropriate approvals and reviews are properly reflected in documentation.

Special Tests and Provisions – Housing Quality Standards: The Department's monitoring procedures will be amended to include provisions relating to and ensuring inspections of rental HOME assisted units and Tenant Based Rental Assistance units.

Anticipated Completion Date:

Eligibility: December 15, 2014.

Reporting: September 30, 2014

Special Tests and Provisions: October 31, 2014

Arlene Colvin
(Signature)

Director
(Title)

08/28/14
(Date)



City Of Gary

KAREN M. FREEMAN-WILSON
Mayor

DEPARTMENT OF COMMUNITY DEVELOPMENT
839 Broadway, Suite 302 N
Gary, Indiana 46402
(219) 881-5075 / Fax (219) 881-5085

ARLENE D. COLVIN
Director

E. NIKOLE RUMPH
Deputy Director

CORRECTIVE ACTION PLAN

FINDING 2013-006-SPECIAL TESTS AND PROVISIONS FOR HOUSING QUALITY STANDARDS - HOME INVESTMENT PARTNERSHIPS PROGRAM

Contact Person Responsible for Corrective Action: Arlene D. Colvin
Contact Phone Number: (219) 881-5075

Description of Corrective Action Plan:

Inspections on rental HOME assisted units were conducted in late February, 2014 and early March, 2014. Inspections of Tenant Based Rental Assistance units will be conducted by December 15, 2014. The Department's monitoring procedures will be amended to include provisions relating to and ensuring inspections of rental HOME assisted units and Tenant Based Rental Assistance units.

Anticipated Completion Date:

December 15, 2014

Arlene Colvin
(Signature)

Director
(Title)

08/28/14
(Date)



City Of Gary

KAREN M. FREEMAN-WILSON
Mayor

DEPARTMENT OF PLANNING
401 Broadway
Gary, Indiana 46402
(219) 881-5090 / Fax (219) 882-7371

DWAYNE WILLIAMS
Director

CORRECTIVE ACTION PLAN

FINDING 2013-007- INTERNAL CONTROLS - HIGHWAY PLANNING AND CONSTRUCTION

Contact Person Responsible for Corrective Action: Dwayne Williams
Contact Phone Number: (219) 881-5090

Description of Corrective Action Plan:

In the immediate future and at the suggestion of the auditor, all information relevant to a particular grant will be maintained in separate files to assure that it is readily available. This will include all related contracts, amendments, addendums, change orders, invoices, and advertisements, grant awards, etc.

Currently the Planning Department consists of one person; however, an additional position has been added to the Planning Department's 2015 budget that will allow for separate reconciliation of grant awards, review of allowable costs and activities, and additional oversight. Until that position is available, the Planning Department will work with the Public Works Department to provide the necessary oversight and reconciliation of grants.

The City provided to the auditors a spreadsheet that contains capital assets purchased with Federal Funds. However, the financial system does not yet identify these capital assets with Federal Funds indicators. The City is working to integrate and transfer the information from the spreadsheets to the financial system, so that capital assets purchases in the financial system are also identified with Federal Fund indicators where applicable. The City will also investigate any discrepancies between the physical inventory and capital asset records.

Except for the E-85 vendor temporarily used to provide E-85 fuel, the CMAQ vendors included the Suspension and Debarment requirements in all other contracts. The City will make every effort to be sure that Suspension and Debarment requirements are met for all grants where required.

Anticipated Completion Date:

November 30, 2014



(Signature)

City Planner

(Title)

8/19/14

(Date)



City Of Gary

KAREN M. FREEMAN-WILSON

Mayor

Department of Finance

401 Broadway
Gary, Indiana 46402
(219) 881-1363 / Fax (219) 881-1340

M. CELITA GREEN

Director of Finance

MICHELE ROBY

Chief Accountant

CORRECTIVE ACTION PLAN

FINDING 2013-008- EQUIPMENT MANAGEMENT - HIGHWAY PLANNING AND CONSTRUCTION AND ASSISTANCE TO FIREFIGHTERS GRANTS

Contact Person Responsible for Corrective Action: M. Celita Green

Contact Phone Number: (219) 881-1384

Description of Corrective Action Plan:

A physical inventory of all the City's agencies was not completed at the end of 2013, but is still ongoing.

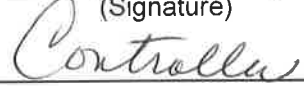
The City will investigate any discrepancies between the physical inventory and capital asset records, and reconcile any differences.

Anticipated Completion Date:


The projected completion date is December 2014



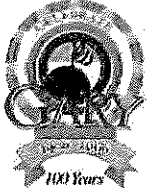
(Signature)



(Title)



(Date)



Karen Freeman-
Wilson
Mayor

City of Gary
FIRE DEPARTMENT
FIRE HEADQUARTERS

455 Massachusetts St.- GARY, IN 46402-1309
(219) 881-5252 - Fax (219) 882-7453



Teresa Everett
Fire Chief
James Stanton
Acting Deputy Chief

CORRECTIVE ACTION PLAN

FINDING 2013-009- SUSPENSION AND DEBARMENT – HIGHWAY PLANNING AND CONSTRUCTION AND ASSISTANCE TO FIREFIGHTERS GRANTS

Contact Person Responsible for Corrective Action: Dwayne Williams; Teresa Everett
Contact Phone Number: (219) 881-5090; (219) 881-5252

Description of Corrective Action Plan:

The AFG Grant was executed by the Former Fire Chief in February 2011 which is before the City of Gary Policies and Procedures for Grant Management was in place.

The Fire Department will access www.sam.gov to review the Excluded Parties List System to determine that the vendor is not on the list. We will document the review by obtaining a copy of the review page from the application, forward a copy with the Quote, Bid, Award and/or Contract and file it with the grant workpapers.

Anticipated Completion Date:

The corrective action plan will be implemented immediately.

D. Williams
(Signature)

CITY PLANNER
(Title)

8/28/14
(Date)

Teresa Everett
(Signature)

Fire Chief
(Title)

8/28/14
(Date)



Karen Freeman-
Wilson
Mayor

City of Gary
FIRE DEPARTMENT
FIRE HEADQUARTERS

455 Massachusetts St.- GARY, IN 46402-1309
(219) 881-5252 - Fax (219) 882-7453



Teresa Everett
Fire Chief
James Stanton
Acting Deputy Chief

CORRECTIVE ACTION PLAN

FINDING 2013-0010- INTERNAL CONTROLS - ASSISTANCE TO FIREFIGHTERS GRANTS

Contact Person Responsible for Corrective Action: Teresa Everett
Contact Phone Number: (219) 881-5252

Description of Corrective Action Plan:

Cash Management:

Cash Management is not a function of the Gary Fire Department therefore we cannot control when the payments are expended which in some instances may be after 30 days, depending on the circumstances. What we can control and will control is the following:

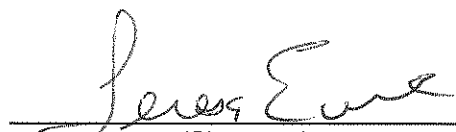
We will process draw-downs after the all approvals have been received and the expenditure has been made and the action completed/installed, unless the grant is to fund payroll. We will notify the Chief Accountant within 24 hours that a draw-down or reimbursement has been requested so that they can ensure that the ACH transfer is transmitted to the City and that the revenue can be credited to the correct fund without delay. We, in turn, will require that the Chief Accountant inform us when the funds are received so that we can immediately process the claim for payment.

Suspension and Debarment:

The Fire Department will access www.sam.gov to review the Excluded Parties List System to determine that the vendor is not on the list. We will document the review by obtaining a copy of the review page from the application, forward a copy with the Quote, Bid, Award and/or Contract and file it with the grant workpapers.

Anticipated Completion Date:

The Fire Department Corrective Action Plan as it relates to Cash Management and Suspension and Debarment will be implemented immediately.


(Signature)



Fire Chief

(Title)

8/25/17

(Date)



Karen Freeman-
Wilson
Mayor

City of Gary
FIRE DEPARTMENT
FIRE HEADQUARTERS

455 Massachusetts St.- GARY, IN 46402-1309
(219) 881-5252 - Fax (219) 882-7453



Teresa Everett
Fire Chief
James Stanton
Acting Deputy Chief

CORRECTIVE ACTION PLAN

FINDING 2013-0011- ACTIVITIES ALLOWED AND ALLOWABLE COSTS - ASSISTANCE TO FIREFIGHTERS GRANTS

Contact Person Responsible for Corrective Action: Teresa Everett
Contact Phone Number: (219) 881-5252

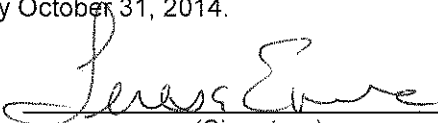
Description of Corrective Action Plan:

We will implement the following Corrective Action Plan to ensure that only allowable costs for allowable activities are charged to the grants. The plan is as follows:

- The designated person responsible for managing, balancing and reconciling the grant will complete the functions quarterly. This process requires a dedicated, qualified person.
- The reconciliation will be approved by someone other than the preparer, preferably the Fire Chief or someone assigned by the Fire Chief.
- The reconciliation will compare each transaction against the City's financial system (RDS) to verify that cash, budget and revenue reports have been recorded accurately quarterly and annually,
- The review will also include a reconciliation of revenue against expenditures and compare budget versus actual, investigating differences between actual and expected amounts.
- All variances will be investigated and resolved within 30 days of the quarterly reconciliation.

Anticipated Completion Date:

The Corrective Action Plan detailed above will be implemented by October 31, 2014.



(Signature)

Fire Chief

(Title)

8/28/14

(Date)



Karen Freeman-
Wilson
Mayor

City of Gary
FIRE DEPARTMENT
FIRE HEADQUARTERS

455 Massachusetts St.- GARY, IN 46402-1309
(219) 881-5252 - Fax (219) 882-7453



Teresa Everett
Fire Chief
James Stanton
Acting Deputy Chief

CORRECTIVE ACTION PLAN

FINDING 2013-0012- CASH MANAGEMENT - ASSISTANCE TO FIREFIGHTERS GRANTS

Contact Person Responsible for Corrective Action: Teresa Everett
Contact Phone Number: (219) 881-5252

Description of Corrective Action Plan:

We will process draw-downs after the all approvals have been received and the expenditure has been made and the action completed/installed, unless the grant is to fund payroll. We will notify the Chief Accountant within 24 hours that a draw-down or reimbursement has been requested so that they can ensure that the ACH transfer is transmitted to the City and that the revenue can be credited to the correct fund without delay. We, in turn, will require that the Chief Accountant inform us when the funds are received so that we can immediately process the claim for payment.

Anticipated Completion Date:

We will implement the above corrective action immediately.

Teresa Everett
(Signature)

Fire Chief
(Title)

8/28/14
(Date)

OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the City. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.