

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

SUPPLEMENTAL COMPLIANCE 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	3
Transmittal Letter	4
Finance Department:	
Federal Finding:	
Finding 2013-001 - Internal Controls and Compliance Over the Schedule of Expenditures of Federal Awards	6-7
Corrective Action Plan	8
Audit Results and Comments:	
Overdrawn Cash Balances	9
Temporary Transfer of Funds	9-10
Official Response.....	11-13
Exit Conference	14
Community Development Department:	
Federal Findings:	
Finding 2013-002 - Internal Controls - Community Development Block Grants/ Entitlement Grants.....	16-17
Finding 2013-003 - Suspension and Debarment - Community Development Block Grants/Entitlement Grants	17-18
Finding 2013-004 - Reporting - Community Development Block Grants/ Entitlement Grants and HOME Investment Partnerships Program	19
Finding 2013-005 - Internal Controls - HOME Investment Partnerships Program	20-21
Finding 2013-006 - Special Tests and Provisions for Housing Quality Standards - HOME Investment Partnerships Program	21-22
Corrective Action Plan	23-27
Exit Conference	28
Planning Department:	
Federal Findings:	
Finding 2013-007 - Internal Controls - Highway Planning and Construction.....	30-31
Finding 2013-008 - Equipment and Real Property Management - Highway Planning and Construction and Assistance to Firefighters Grant.....	32
Finding 2013-009 - Suspension and Debarment - Highway Planning and Construction and Assistance to Firefighters Grant.....	33
Corrective Action Plan	34-36
Exit Conference	37
Fire Department:	
Federal Findings:	
Finding 2013-008 - Equipment and Real Property Management - Highway Planning and Construction and Assistance to Firefighters Grant.....	40
Finding 2013-009 - Suspension and Debarment - Highway Planning and Construction and Assistance to Firefighters Grant.....	41
Finding 2013-010 - Internal Controls - Assistance to Firefighters Grant	41-42
Finding 2013-011 - Activities Allowed and Allowable Costs - Assistance to Firefighters Grant	43-44
Finding 2013-012 - Cash Management - Assistance to Firefighters Grant	45
Corrective Action Plan	46-51
Audit Result and Comment:	
Emergency Medical Service Mutual Aid Contract.....	52
Official Response.....	53-55
Exit Conference	56

TABLE OF CONTENTS
(Continued)

<u>Description</u>	<u>Page</u>
Sanitary District:	
Audit Results and Comments:	
Temporary Transfer of Funds	58-59
Penalties	59
Delinquent Wastewater Accounts	59-60
Official Response.....	61-63
Exit Conference	64
Clerk:	
Audit Result and Comment:	
Condition of Records.....	66-67
Official Response.....	68-70
Exit Conference	71
Police Department:	
Audit Result and Comment:	
Police Buy Money	74
Official Response.....	75-77
Exit Conference	78
Park Department:	
Audit Result and Comment:	
Receipt Issuance.....	80
Official Response.....	81-83
Exit Conference	84
Redevelopment Department:	
Federal Findings:	
Finding 2013-002 - Internal Controls - Community Development Block Grants/ Entitlement Grants	86-87
Finding 2013-003 - Suspension and Debarment - Community Development Block Grants/ Entitlement Grants.....	87-88
Corrective Action Plan	89-90
Exit Conference	91
Law Department:	
Audit Result and Comment:	
Emergency Medical Service Mutual Aid Contract.....	94
Official Response.....	95-97
Exit Conference	98

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

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

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

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

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

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

September 9, 2014

FINANCE DEPARTMENT
CITY OF GARY

FINANCE DEPARTMENT
CITY OF GARY
FEDERAL FINDING

***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.

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.

FINANCE DEPARTMENT
CITY OF GARY
FEDERAL FINDING
(Continued)

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."

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."



City Of Gary

Department of Finance

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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)

FINANCE DEPARTMENT
CITY OF GARY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The financial statement presented for the City included funds with overdrawn cash balances at December 31, 2013. Cash balances of some of the City's funds are overdrawn due to grant funds operating on the reimbursement basis. Reimbursement grants require the City to expend funds and subsequently request reimbursement. Only those City funds with overdrawn cash balances at December 31, 2013, which are not due to the timing of reimbursements, are listed below.

Fund Number	Fund	Amount Overdrawn
101	General	\$4,036,043
791	Self-Insurance	714,593
202	Protective Services Grant I	1,033,929
202	Emergency Shelter	396,685
240	Health and Human Services	403,642
281	Leased Properties - Gary Building Corp.	421,334

All funds, except for the Self-Insurance fund, have been overdrawn continuously for five or more years. A similar comment appeared in prior reports.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TEMPORARY TRANSFER OF FUNDS (Includes Gary Sanitary District)

Various temporary transfers between certain funds have been made and not repaid within the time frame permitted by statute. A similar comment appeared in prior reports. The following summarizes the temporary transfer activity of the City and the Gary Sanitary District (GSD) for 2013:

Loan To	Loan From	Loans Outstanding January 1, 2013	Loans	Repayments	Loans Outstanding December 31, 2013
General	Other City Funds (Excluding GSD Funds)	\$12,810,000	\$2,225,000	\$ 780,000	\$ 14,255,000
General	GSD Funds	7,857,127	-	200,000	7,657,127
Other City Funds (Excluding GSD Funds)	Other City Funds (Excluding GSD Funds)	573,397	75,000	94,081	554,316
GSD Funds	GSD Funds	<u>7,524,000</u>	<u>3,790,000</u>	<u>1,152,000</u>	<u>10,162,000</u>
Totals		<u>\$28,764,524</u>	<u>\$6,090,000</u>	<u>\$ 2,226,081</u>	<u>\$ 32,628,443</u>

Of the amounts outstanding and not repaid by December 31, 2013, \$21,491,127 has been outstanding since 2011 or prior, as noted below:

FINANCE DEPARTMENT
CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

Receiving Fund	Disbursing Fund	Outstanding Balance	Outstanding Since The Year of
General Fund (101)	Various GSD Funds	\$ 7,657,127	2006
General Fund (101)	Lakefront TIF District (826)	3,500,000	2008
General Fund (101)	Lakefront TIF District (826)	1,260,000	2009
General Fund (101)	Consolidated Area TIF District (823)	968,000	2009
General Fund (101)	Media (270)	400,000	2010
General Fund (101)	Remote Encoding Center (416)	500,000	2010
Parks and Recreation (250)	Consolidated Area Exp TIF District (827)	380,000	2010
Redevelopment Operating (265)	Small Farms TIF District (821)	59,000	2010
GSD Solid Waste Disposal (672)	GSD WWTP General Operating (670)	500,000	2010
General Fund (101)	Gaming Revenue(277)	1,700,000	2010
General Fund (101)	Alcohol and Drug Treatment (241)	200,000	2010
GSD Solid Waste Disposal (672)	GSD WWTP General Operating (670)	897,000	2011
General Fund (101)	Cumulative Capital Development (402)	250,000	2011
General Fund (101)	Media (270)	600,000	2011
General Fund (101)	Small Farms TIF District (821)	320,000	2011
General Fund (101)	Consolidated Area TIF District (823)	2,000,000	2011
General Fund (101)	Consolidated Area Exp TIF District (827)	<u>300,000</u>	2011
Total		<u>\$21,491,127</u>	

Indiana Code 36-1-8-4 concerning temporary transfer states in part:

"(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash low purposes from another fund of the political subdivision if all these conditions are met: . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

CITY OF GARY

RESPONSES TO 2013 AUDIT RESULT AND COMMENTS

OVERDRAWN CASH BALANCES

The City continues to make every effort to eliminate overdrawn cash balances. Deficit balances gradually accumulated over the years for the General Fund and Self Insurance fund due to diminished property taxes and gaming revenues, which also affected the City's ability to make matches to the Emergency Shelter and Health Services grant. The City is diligently working to obtain new revenue streams to assist in reducing its deficits, and to make its grants matches in a timely manner.

TEMPORARY TRANSFERS OF FUNDS (INCLUDES GARY SANITARY DISTRICT)

The City is working meticulously to reduce the amount of temporary inter-fund transfers outstanding. Between January 1, 2014 and June 30, 2014, the \$1,700,000 due to the Casino fund from General Fund was paid off; additionally \$2,300,000 was paid down on the loan from the General Fund to Gary Sanitary District. Also \$2,225,000 was repaid from General Fund to the Consolidated TIF, and \$75,000 was repaid from the Parks Fund to Consolidated TIF. In August of 2014, another \$500,000 was repaid from the General Fund to Consolidated TIF. Many of the prior year loans were established prior to the property tax caps, and therefore it has become difficult to repay the loans with reduced property taxes in current years.

In the past, Gary Sanitary District has made inter-fund loans between the General Operating Fund and Solid Waste Fund to cover the costs of operations, due to the extremely low solid waste collections rate. In 2013, a decision was made to account for the transactions as transfers between these funds. GSD management is evaluating plans to address the outstanding loans between the funds and will seek board approval once a final resolution is determined.

PENALTIES-GARY SANITARY DISTRICT

The District will begin assessing the required ten percent penalties on delinquent payment of wastewater fee in accordance with IC 36-9-34-31.

DELINQUENT WASTEWATER ACCOUNTS

The District will begin sending the delinquent wastewater fees and penalties to the County Auditor to be certified, as we have sent them to be recorded with the Records Office.

CONDITIONS OF RECORDS-CLERK

The State Board of Accounts' representative noted the Clerk's diligence in this audit by acknowledging that "The Clerk's office personnel have been researching the manually maintained records to find posting errors from prior years in both the Cash Bond Register and the Trust Register from the Criminal Division. Transactions since April 30, 2005 have been recorded using a computer system. They have been researching the old dockets from 1985 to 2005 to determine an accurate detail of the amount on hand as of April 2005 for both Cash Bond Trust items. As the officials have been researching the old dockets, they have posted in the computer system the detail amounts from prior to April 30, 2005 that are still held in Cash Bonds or Trust."

A significant number of Cash Bonds and Trust items have been identified within the past several years and successfully forfeited through the court in accordance with State Board of Accounts procedures. Cash Bonds are increasingly reduced more significantly. In 2013, a reduction of \$54,276.50 (7%) was recognized; and so far in 2014, a reduction of \$111,573.50 (14%) has been realized. However, the process remains tedious and budget cuts impacting the availability of additional staff continue to compromise the ability to progress as swiftly as desired.

The Clerk's office is working on other strategies to better expedite the research and final resolution to Cash Bonds and Trust items prior to 2005. Moving forward in this and other areas of the office, the commitment remains to render quality service to the citizens of our city and those individuals from outside of the city who conduct business there.

POLICE BUY MONEY

An ordinance will be submitted to the City Council for approval in accordance with IC 35-1-3 to allow expenditures for buys money and as authorized by IC 36-1-8-3.

EMERGENCY MEDICAL SERVICE MUTUAL AID CONTRACT

On September 9, 2014, the City received an initial audit result and comment from the State Board of Accounts (SBOA) regarding the Emergency Medical Service Mutual Aid Contract entered into by the City of Gary and Prompt Ambulance during the review meeting with the SBOA. In particular, the SBOA found that the City's Emergency Medical Service Mutual Aid Contract was not in writing as required under Indiana Code 10-14-6.5. The City disagreed with the comment because the Emergency Medical Service Mutual Aid Contract was in fact in writing and signed by both parties. The representatives from the SBOA acknowledged the Emergency Medical Service Mutual Aid Contract was in writing, but stated it was not approved by the Board of Public Works and Safety. The City requested an Indiana Code reference requiring approval by the BOW for all agreements regardless of monetary value. To date, no Indiana code reference has been provided to the City to substantiate the requirement of BOW approval for the Emergency Medical Service Mutual Aid Contract.

On September 11, 2014, the SBOA forwarded a modified audit result and comment regarding the EMS Mutual Aid Contract. The modified result and comment stated that the Emergency Medical Service Mutual Aid Contract was not entered into by ordinance or resolution approved by the Gary Common Council as required by Indiana Code 10-14-6.5-8 and 36-1-7. Indiana Code 10-4-6.5-8 states that mutual aid agreements must be approved in the same manner as inter-local cooperation agreements are approved under Indiana Code 36-1-7. However, Indiana Code 36-1-7 applies to political subdivisions and public entities. There is no mention of private entities in Indiana Code 36-1-7. Although the City agrees that the agreement would require the approval of the Common Council if the agreement was entered into with another political subdivision or government entity, the Emergency Medical Service Mutual Aid Contract involves a private entity. As such, the City contends that 36-1-7 is inapplicable and the audit result and comment regarding the same is in error.

RECEIPT ISSUANCE-PARK DEPARTMENT

The Park Department purchased a software program called Gym Assistance. Prior to purchasing the Gym Assistant software, we would record the number of day passes purchased during the day in the receipt book. Previously, there were several instances where errors or duplications occurred that resulted in audit comments.

We are now solely relying on the detailed and summary reports that we print at the close of business to verify our transactions and revenue for the day. Since our receipt printer is working, and the state allowed us to discontinue writing out receipts, we are no longer having instances of duplicate transactions.

FINANCE DEPARTMENT
CITY OF GARY
EXIT CONFERENCE

The contents of this report were discussed on September 8, 2014, with M. Celita Green, Controller; Karen Freeman-Wilson, Mayor; Mary Brown, Common Council; Richard Leverett, Chief of Staff; Michelle Roby, Chief Accountant; Virgil Moore Jr., Financial Advisor Common Council; and Roxanne Williams, Internal Auditor.

COMMUNITY DEVELOPMENT DEPARTMENT
CITY OF GARY

COMMUNITY DEVELOPMENT DEPARTMENT
CITY OF GARY
FEDERAL FINDINGS

**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.

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

COMMUNITY DEVELOPMENT DEPARTMENT
CITY OF GARY
FEDERAL FINDINGS
(Continued)

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 2013-003 - 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.

COMMUNITY DEVELOPMENT DEPARTMENT
CITY OF GARY
FEDERAL FINDINGS
(Continued)

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:

- (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.

COMMUNITY DEVELOPMENT DEPARTMENT
CITY OF GARY
FEDERAL FINDINGS
(Continued)

***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."

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.

COMMUNITY DEVELOPMENT DEPARTMENT
CITY OF GARY
FEDERAL FINDINGS
(Continued)

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."

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.

COMMUNITY DEVELOPMENT DEPARTMENT
CITY OF GARY
FEDERAL FINDINGS
(Continued)

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.
 - (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

COMMUNITY DEVELOPMENT DEPARTMENT
CITY OF GARY
FEDERAL FINDINGS
(Continued)

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.



City Of Gary

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Mayor

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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
(Date)



City Of Gary

KAREN M. FREEMAN-WILSON
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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
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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
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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

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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)

COMMUNITY DEVELOPMENT DEPARTMENT
CITY OF GARY
EXIT CONFERENCE

The contents of this report were discussed on September 8, 2014, with M. Celita Green, Controller; Karen Freeman-Wilson, Mayor; Mary Brown, Common Council; Richard Leverett, Chief of Staff; Michelle Roby, Chief Accountant; Virgil Moore Jr., Financial Advisor Common Council; and Roxanne Williams, Internal Auditor.

The contents of this report were discussed on September 9, 2014, with Arlene Colvin, Director; Adrian Yates, Fiscal Manager; M. Celita Green, Controller; Michelle Roby, Chief Accountant; and Roxanne Williams, Internal Auditor.

PLANNING DEPARTMENT
CITY OF GARY

PLANNING DEPARTMENT
CITY OF GARY
FEDERAL FINDINGS

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 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.

PLANNING DEPARTMENT
CITY OF GARY
FEDERAL FINDINGS
(Continued)

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.

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.

PLANNING DEPARTMENT
CITY OF GARY
FEDERAL FINDINGS
(Continued)

**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.

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.

PLANNING DEPARTMENT
CITY OF GARY
FEDERAL FINDINGS
(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.



City Of Gary

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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

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Department of Finance

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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.

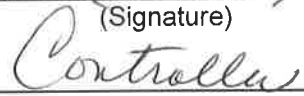
The City will investigate any discrepancies between the physical inventory and capital asset records, and reconcile any differences.

Anticipated Completion Date:


The projected completion date is December 2014



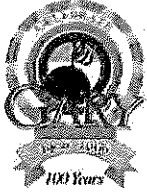
(Signature)



(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)

PLANNING DEPARTMENT
CITY OF GARY
EXIT CONFERENCE

The contents of this report were discussed on September 8, 2014, with M. Celita Green, Controller; Karen Freeman-Wilson, Mayor; Mary Brown, Common Council; Richard Leverett, Chief of Staff; Michelle Roby, Chief Accountant; Virgil Moore Jr., Financial Advisor Common Council; and Roxanne Williams, Internal Auditor.

The contents of this report were discussed on September 9, 2014, with Dwayne Williams, City Planner; M. Celita Green, Controller; Michelle Roby, Chief Accountant; and Roxanne Williams, Internal Auditor.

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FIRE DEPARTMENT
CITY OF GARY

FIRE DEPARTMENT
CITY OF GARY
FEDERAL FINDINGS

**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.

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.

FIRE DEPARTMENT
CITY OF GARY
FEDERAL FINDINGS
(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

FIRE DEPARTMENT
CITY OF GARY
FEDERAL FINDINGS
(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.

FIRE DEPARTMENT
CITY OF GARY
FEDERAL FINDINGS
(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 reconciliations, 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.

FIRE DEPARTMENT
CITY OF GARY
FEDERAL FINDINGS
(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.

FIRE DEPARTMENT
CITY OF GARY
FEDERAL FINDINGS
(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.



City Of Gary

KAREN M. FREEMAN-WILSON
Mayor

Department of Finance

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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:

City partially disagreed with the audit finding that it did not maintain records that adequately identify equipment and other property acquired with federal funds. The City recorded all equipment and other capital assets in the financial system including grant purchased. However, the City identified grant purchases only on the spreadsheet hard copies, and not in the financial system. In addition, "federal grant" was marked on the 2013 capital assets report that was provided to the Auditor. Regulations does not strictly require capital assets purchases made with grant funds to be identified or recorded only on a financial system. However, the City is working to consolidate and transfer information related to federal grants identification from the spreadsheets to the financial system.

In addition, a physical inventory was performed in 2013 mainly of grant vehicles and other non-grant related equipment. A physical inventory of all the City's agencies was still in process at the end of 2013, and ongoing at the time of this audit. Information regarding the 2013 physical inventory was also provided to the Auditor.

The City will investigate any discrepancies between the physical inventory and capital asset records and perform a reconciliation.

Anticipated Completion Date:

The projected completion date December, 2014.

M. Celita Green

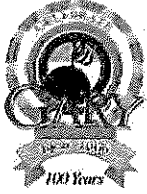
(Signature)

Dir of Finance

(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 2013-009- 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:

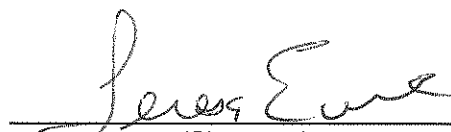
We will process draw-downs after the all approvals have been received and the expenditure has been made and the action completed/installed, unless the grant is to fund payroll. We will notify the Chief Accountant within 24 hours that a draw-down or reimbursement has been requested so that they can ensure 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

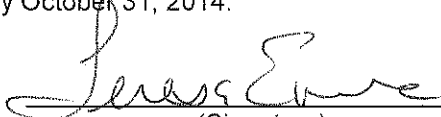
Description of Corrective Action Plan:

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)

FIRE DEPARTMENT
CITY OF GARY
AUDIT RESULT AND COMMENT

EMERGENCY MEDICAL SERVICE MUTUAL AID CONTRACT

On November 16, 2012, the Fire Chief entered into a written mutual aid agreement with a private corporation for emergency medical services (EMS) on an as needed basis. The agreement included wording that it may be a necessity for the City of Gary to request dedicated resources from the private corporation to supplement an anticipated or unanticipated shortage of resources for extended periods of time at no charge to the City. As part of the agreement, the private corporation is allowed to also answer private ambulance calls from the City's fire station. The agreement was not entered into by ordinance or resolution approved by the Common Council as required by Indiana Code 10-14-6.5-8 and 36-1-7.

Indiana Code 10-14-6.5-4(c) states:

"This chapter may not be construed to prohibit a private entity or its employees from participating in the provision of mutual aid if:

- (1) the participating political subdivision approves the participation of the private entity; and
- (2) a contract between the political subdivision and the participating private entity permits the participation."

Indiana Code 10-14-6.5-8 states: "A mutual aid agreement under this chapter must be approved in the same manner as interlocal cooperation agreements are approved under IC 36-1-7."

Indiana Code 36-1-7-2(a) states in part: ". . . Entities that want to do this must, by ordinance or resolution, enter into a written agreement under section 3 or 9 of this chapter."

CITY OF GARY

RESPONSES TO 2013 AUDIT RESULT AND COMMENTS

OVERDRAWN CASH BALANCES

The City continues to make every effort to eliminate overdrawn cash balances. Deficit balances gradually accumulated over the years for the General Fund and Self Insurance fund due to diminished property taxes and gaming revenues, which also affected the City's ability to make matches to the Emergency Shelter and Health Services grant. The City is diligently working to obtain new revenue streams to assist in reducing its deficits, and to make its grants matches in a timely manner.

TEMPORARY TRANSFERS OF FUNDS (INCLUDES GARY SANITARY DISTRICT)

The City is working meticulously to reduce the amount of temporary inter-fund transfers outstanding. Between January 1, 2014 and June 30, 2014, the \$1,700,000 due to the Casino fund from General Fund was paid off; additionally \$2,300,000 was paid down on the loan from the General Fund to Gary Sanitary District. Also \$2,225,000 was repaid from General Fund to the Consolidated TIF, and \$75,000 was repaid from the Parks Fund to Consolidated TIF. In August of 2014, another \$500,000 was repaid from the General Fund to Consolidated TIF. Many of the prior year loans were established prior to the property tax caps, and therefore it has become difficult to repay the loans with reduced property taxes in current years.

In the past, Gary Sanitary District has made inter-fund loans between the General Operating Fund and Solid Waste Fund to cover the costs of operations, due to the extremely low solid waste collections rate. In 2013, a decision was made to account for the transactions as transfers between these funds. GSD management is evaluating plans to address the outstanding loans between the funds and will seek board approval once a final resolution is determined.

PENALTIES-GARY SANITARY DISTRICT

The District will begin assessing the required ten percent penalties on delinquent payment of wastewater fee in accordance with IC 36-9-34-31.

DELINQUENT WASTEWATER ACCOUNTS

The District will begin sending the delinquent wastewater fees and penalties to the County Auditor to be certified, as we have sent them to be recorded with the Records Office.

CONDITIONS OF RECORDS-CLERK

The State Board of Accounts' representative noted the Clerk's diligence in this audit by acknowledging that "The Clerk's office personnel have been researching the manually maintained records to find posting errors from prior years in both the Cash Bond Register and the Trust Register from the Criminal Division. Transactions since April 30, 2005 have been recorded using a computer system. They have been researching the old dockets from 1985 to 2005 to determine an accurate detail of the amount on hand as of April 2005 for both Cash Bond Trust items. As the officials have been researching the old dockets, they have posted in the computer system the detail amounts from prior to April 30, 2005 that are still held in Cash Bonds or Trust."

A significant number of Cash Bonds and Trust items have been identified within the past several years and successfully forfeited through the court in accordance with State Board of Accounts procedures. Cash Bonds are increasingly reduced more significantly. In 2013, a reduction of \$54,276.50 (7%) was recognized; and so far in 2014, a reduction of \$111,573.50 (14%) has been realized. However, the process remains tedious and budget cuts impacting the availability of additional staff continue to compromise the ability to progress as swiftly as desired.

The Clerk's office is working on other strategies to better expedite the research and final resolution to Cash Bonds and Trust items prior to 2005. Moving forward in this and other areas of the office, the commitment remains to render quality service to the citizens of our city and those individuals from outside of the city who conduct business there.

POLICE BUY MONEY

An ordinance will be submitted to the City Council for approval in accordance with IC 35-1-3 to allow expenditures for buys money and as authorized by IC 36-1-8-3.

EMERGENCY MEDICAL SERVICE MUTUAL AID CONTRACT

On September 9, 2014, the City received an initial audit result and comment from the State Board of Accounts (SBOA) regarding the Emergency Medical Service Mutual Aid Contract entered into by the City of Gary and Prompt Ambulance during the review meeting with the SBOA. In particular, the SBOA found that the City's Emergency Medical Service Mutual Aid Contract was not in writing as required under Indiana Code 10-14-6.5. The City disagreed with the comment because the Emergency Medical Service Mutual Aid Contract was in fact in writing and signed by both parties. The representatives from the SBOA acknowledged the Emergency Medical Service Mutual Aid Contract was in writing, but stated it was not approved by the Board of Public Works and Safety. The City requested an Indiana Code reference requiring approval by the BOW for all agreements regardless of monetary value. To date, no Indiana code reference has been provided to the City to substantiate the requirement of BOW approval for the Emergency Medical Service Mutual Aid Contract.

On September 11, 2014, the SBOA forwarded a modified audit result and comment regarding the EMS Mutual Aid Contract. The modified result and comment stated that the Emergency Medical Service Mutual Aid Contract was not entered into by ordinance or resolution approved by the Gary Common Council as required by Indiana Code 10-14-6.5-8 and 36-1-7. Indiana Code 10-4-6.5-8 states that mutual aid agreements must be approved in the same manner as inter-local cooperation agreements are approved under Indiana Code 36-1-7. However, Indiana Code 36-1-7 applies to political subdivisions and public entities. There is no mention of private entities in Indiana Code 36-1-7. Although the City agrees that the agreement would require the approval of the Common Council if the agreement was entered into with another political subdivision or government entity, the Emergency Medical Service Mutual Aid Contract involves a private entity. As such, the City contends that 36-1-7 is inapplicable and the audit result and comment regarding the same is in error.

RECEIPT ISSUANCE-PARK DEPARTMENT

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FIRE DEPARTMENT
CITY OF GARY
EXIT CONFERENCE

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The contents of this report were discussed on September 9, 2014, with Teresa Y. Everett, Fire Chief; Vanessa Boykin, Business Manager; Niquelle Allen, Corporation Counsel; Richard Leverett, Chief of Staff; M. Celita Green, Controller; Michelle Roby, Chief Accountant; and Roxanne Williams, Internal Auditor.

SANITARY DISTRICT
CITY OF GARY

SANITARY DISTRICT
CITY OF GARY
AUDIT RESULTS AND COMMENTS

TEMPORARY TRANSFER OF FUNDS (Includes City Funds)

Various temporary transfers between certain funds have been made and not repaid within the time frame permitted by statute. A similar comment appeared in prior reports. The following summarizes the temporary transfer activity of the City and the Gary Sanitary District (GSD) for 2013:

Loan To	Loan From	Loans Outstanding January 1, 2013	Loans	Repayments	Loans Outstanding December 31, 2013
General	Other City Funds (Excluding GSD Funds)	\$ 12,810,000	\$ 2,225,000	\$ 780,000	\$ 14,255,000
General	GSD Funds	7,857,127	-	200,000	7,657,127
Other City Funds (Excluding GSD Funds)	Other City Funds (Excluding GSD Funds)	573,397	75,000	94,081	554,316
GSD Funds	GSD Funds	<u>7,524,000</u>	<u>3,790,000</u>	<u>1,152,000</u>	<u>10,162,000</u>
Totals		<u>\$ 28,764,524</u>	<u>\$ 6,090,000</u>	<u>\$ 2,226,081</u>	<u>\$ 32,628,443</u>

Of the amounts outstanding and not repaid by December 31, 2013, \$21,491,127 has been outstanding since 2011 or prior, as noted below:

Receiving Fund	Disbursing Fund	Outstanding Balance	Outstanding Since The Year of
General Fund (101)	Various GSD Funds	\$ 7,657,127	2006
General Fund (101)	Lakefront TIF District (826)	3,500,000	2008
General Fund (101)	Lakefront TIF District (826)	1,260,000	2009
General Fund (101)	Consolidated Area TIF District (823)	968,000	2009
General Fund (101)	Media (270)	400,000	2010
General Fund (101)	Remote Encoding Center (416)	500,000	2010
Parks and Recreation (250)	Consolidated Area Exp TIF District (827)	380,000	2010
Redevelopment Operating (265)	Small Farms TIF District (821)	59,000	2010
GSD Solid Waste Disposal (672)	GSD WWTP General Operating (670)	500,000	2010
General Fund (101)	Gaming Revenue(277)	1,700,000	2010
General Fund (101)	Alcohol and Drug Treatment (241)	200,000	2010
GSD Solid Waste Disposal (672)	GSD WWTP General Operating (670)	897,000	2011
General Fund (101)	Cumulative Capital Development (402)	250,000	2011
General Fund (101)	Media (270)	600,000	2011
General Fund (101)	Small Farms TIF District (821)	320,000	2011
General Fund (101)	Consolidated Area TIF District (823)	2,000,000	2011
General Fund (101)	Consolidated Area Exp TIF District (827)	<u>300,000</u>	2011
Total		<u>\$ 21,491,127</u>	

SANITARY DISTRICT
CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 36-1-8-4 concerning temporary transfer states in part:

"(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash low purposes from another fund of the political subdivision if all these conditions are met: . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

PENALTIES (Gary Sanitary District)

During 2013, the Sanitary District stopped assessing the required 10 percent penalties for delinquent payment of wastewater fees in accordance with the Indiana Code 36-9-23-31.

Indiana Code 36-9-23-31 states:

"If fees assessed against real property under this chapter or any statute repealed by IC 19-2-5-30 (repealed September 1, 1981) are not paid within the time fixed by the municipal legislative body, they are delinquent. A penalty of ten percent (10%) of the amount of the fees attaches to the delinquent fees. The amount of the fee, the penalty, and a reasonable attorney's fee may be recovered by the board in a civil action in the name of the municipality."

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties have not been certified to the County Auditor since 2009. The delinquent fees have been recorded with the County Recorder more frequently, but not certified to the County Auditor.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

SANITARY DISTRICT
CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

- (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) A description of the premises, as shown by the records of the county auditor; and
 - (C) The amount of the delinquent fees, together with the penalty; or
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

CITY OF GARY

RESPONSES TO 2013 AUDIT RESULT AND COMMENTS

OVERDRAWN CASH BALANCES

The City continues to make every effort to eliminate overdrawn cash balances. Deficit balances gradually accumulated over the years for the General Fund and Self Insurance fund due to diminished property taxes and gaming revenues, which also affected the City's ability to make matches to the Emergency Shelter and Health Services grant. The City is diligently working to obtain new revenue streams to assist in reducing its deficits, and to make its grants matches in a timely manner.

TEMPORARY TRANSFERS OF FUNDS (INCLUDES GARY SANITARY DISTRICT)

The City is working meticulously to reduce the amount of temporary inter-fund transfers outstanding. Between January 1, 2014 and June 30, 2014, the \$1,700,000 due to the Casino fund from General Fund was paid off; additionally \$2,300,000 was paid down on the loan from the General Fund to Gary Sanitary District. Also \$2,225,000 was repaid from General Fund to the Consolidated TIF, and \$75,000 was repaid from the Parks Fund to Consolidated TIF. In August of 2014, another \$500,000 was repaid from the General Fund to Consolidated TIF. Many of the prior year loans were established prior to the property tax caps, and therefore it has become difficult to repay the loans with reduced property taxes in current years.

In the past, Gary Sanitary District has made inter-fund loans between the General Operating Fund and Solid Waste Fund to cover the costs of operations, due to the extremely low solid waste collections rate. In 2013, a decision was made to account for the transactions as transfers between these funds. GSD management is evaluating plans to address the outstanding loans between the funds and will seek board approval once a final resolution is determined.

PENALTIES-GARY SANITARY DISTRICT

The District will begin assessing the required ten percent penalties on delinquent payment of wastewater fee in accordance with IC 36-9-34-31.

DELINQUENT WASTEWATER ACCOUNTS

The District will begin sending the delinquent wastewater fees and penalties to the County Auditor to be certified, as we have sent them to be recorded with the Records Office.

CONDITIONS OF RECORDS-CLERK

The State Board of Accounts' representative noted the Clerk's diligence in this audit by acknowledging that "The Clerk's office personnel have been researching the manually maintained records to find posting errors from prior years in both the Cash Bond Register and the Trust Register from the Criminal Division. Transactions since April 30, 2005 have been recorded using a computer system. They have been researching the old dockets from 1985 to 2005 to determine an accurate detail of the amount on hand as of April 2005 for both Cash Bond Trust items. As the officials have been researching the old dockets, they have posted in the computer system the detail amounts from prior to April 30, 2005 that are still held in Cash Bonds or Trust."

A significant number of Cash Bonds and Trust items have been identified within the past several years and successfully forfeited through the court in accordance with State Board of Accounts procedures. Cash Bonds are increasingly reduced more significantly. In 2013, a reduction of \$54,276.50 (7%) was recognized; and so far in 2014, a reduction of \$111,573.50 (14%) has been realized. However, the process remains tedious and budget cuts impacting the availability of additional staff continue to compromise the ability to progress as swiftly as desired.

The Clerk's office is working on other strategies to better expedite the research and final resolution to Cash Bonds and Trust items prior to 2005. Moving forward in this and other areas of the office, the commitment remains to render quality service to the citizens of our city and those individuals from outside of the city who conduct business there.

POLICE BUY MONEY

An ordinance will be submitted to the City Council for approval in accordance with IC 35-1-3 to allow expenditures for buys money and as authorized by IC 36-1-8-3.

EMERGENCY MEDICAL SERVICE MUTUAL AID CONTRACT

On September 9, 2014, the City received an initial audit result and comment from the State Board of Accounts (SBOA) regarding the Emergency Medical Service Mutual Aid Contract entered into by the City of Gary and Prompt Ambulance during the review meeting with the SBOA. In particular, the SBOA found that the City's Emergency Medical Service Mutual Aid Contract was not in writing as required under Indiana Code 10-14-6.5. The City disagreed with the comment because the Emergency Medical Service Mutual Aid Contract was in fact in writing and signed by both parties. The representatives from the SBOA acknowledged the Emergency Medical Service Mutual Aid Contract was in writing, but stated it was not approved by the Board of Public Works and Safety. The City requested an Indiana Code reference requiring approval by the BOW for all agreements regardless of monetary value. To date, no Indiana code reference has been provided to the City to substantiate the requirement of BOW approval for the Emergency Medical Service Mutual Aid Contract.

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SANITARY DISTRICT
CITY OF GARY
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The contents of this report were discussed on September 9, 2014, with Vern E. White, Director of Administration; Norma J. Walls, Senior Cost Analyst; Sonia M. Cuba, Human Resources Specialist; M. Celita Green, Controller; Michelle Roby, Chief Accountant; and Roxanne Williams, Internal Auditor.

CLERK
CITY OF GARY

CLERK
CITY OF GARY
AUDIT RESULT AND COMMENT

CONDITION OF RECORDS (Clerk)

A complete and accurate Cash Bond Register and Trust Register that reflects the Cash Book balances of \$821,642.42 and \$103,845.52, respectively, was not available for audit.

The Clerk's Office personnel have been researching the manually maintained records to find the recording errors from prior years in both the Cash Bond Register and the Trust Register from the Criminal Division. Transactions since April 30, 2005, have been recorded using a computer system. They have been researching the old dockets from 1985 to 2005 to determine an accurate detail of the amount on hand as of April 30, 2005, for both Cash Bonds and Trust items. As the officials have been researching the old dockets, they have recorded in the computer system the detail amounts from prior to April 30, 2005, that are still held in Cash Bonds or Trust. While the Clerk's Office is researching open balances, there is a substantial amount of open cash bond deposits that have been held since 1990 still on hand as of December 31, 2013. Indiana Code requires the court to forfeit bonds when a defendant fails to appear in court and transfer the amount to the State Common School fund.

A similar comment appeared in prior reports.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

Indiana Code 35-33-8-7 states in part:

"(a) If a defendant:

- (1) was admitted to bail under section 3.2(a)(2) of this chapter; and
- (2) has failed to appear before the court as ordered;

CLERK
CITY OF GARY
AUDIT RESULT AND COMMENT
(Continued)

the court shall, except as provided in subsection (b) or section 8(b) of this chapter, declare the bond forfeited not earlier than one hundred twenty (120) days after the defendant's failure to appear and issue a warrant for the defendant's arrest.

(b) In a criminal case, if the court having jurisdiction over the criminal case receives written notice of a pending civil action or unsatisfied judgment against the criminal defendant arising out of the same transaction or occurrence forming the basis of the criminal case, funds deposited with the clerk of the court under section 3.2(a)(2) of this chapter may not be declared forfeited by the court, and the court shall order the deposited funds to be held by the clerk. If there is an entry of final judgment in favor of the plaintiff in the civil action, and if the deposit and the bond are subject to forfeiture, the criminal court shall order payment of all or any part of the deposit to the plaintiff in the action, as is necessary to satisfy the judgment. The court shall then order the remainder of the deposit, if any, and the bond forfeited.

(c) Any proceedings concerning the bond, or its forfeiture, judgment, or execution of judgment, shall be held in the court that admitted the defendant to bail.

(d) After a bond has been forfeited under subsection (a) or (b), the clerk shall mail notice of forfeiture to the defendant. In addition, unless the court finds that there was a justification for the defendant's failure to appear, the court shall immediately enter judgment, without pleadings and without change of judge or change of venue, against the defendant for the amount of the bail bond, and the clerk shall record the judgment.

(e) If a bond is forfeited and the court has entered a judgment, the clerk shall transfer to the state common school fund:

- (1) any amount remaining on deposit with the court (less the fees retained by the clerk);
and
- (2) any amount collected in satisfaction of the judgment."

CITY OF GARY

RESPONSES TO 2013 AUDIT RESULT AND COMMENTS

OVERDRAWN CASH BALANCES

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CLERK
CITY OF GARY
EXIT CONFERENCE

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The contents of this report were discussed on September 9, 2014, with Suzette Raggs, Clerk; Barbara J. Cox, Chief Deputy Clerk; Krista Grant, Fiscal Manager; M. Celita Green, Controller; Michelle Roby, Chief Accountant; and Roxanne Williams, Internal Auditor.

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POLICE DEPARTMENT
CITY OF GARY

POLICE DEPARTMENT
CITY OF GARY
AUDIT RESULT AND COMMENT

POLICE BUY MONEY

An Ordinance establishing the Police Buy Money Program and allowing the associated expenditures was not available for audit.

The following procedures should be followed if a municipality wishes to obtain an appropriation and make expenditures for buy money or payments to informants:

1. under IC 36-1-3 an ordinance should be passed allowing this type of program and associated expenditures;
2. an appropriation for such purpose must be obtained in the manner authorized by state statutes;
3. petty cash fund procedures are to be followed as authorized by IC 36-1-8-3; and
4. a minimum documentation procedure must be followed, similar to either:
 - A. "Guidelines for the Expenditure of Confidential Funds," published by the U. S. Department of Criminal Justice.
 - B. "Guidelines for Obtaining and Accounting For Confidential Funds Used in Support of Criminal Investigations," (Revised S.O.P. INV-009), by the Indiana State Police Department.

(Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2013)

CITY OF GARY

RESPONSES TO 2013 AUDIT RESULT AND COMMENTS

OVERDRAWN CASH BALANCES

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POLICE DEPARTMENT
CITY OF GARY
EXIT CONFERENCE

The contents of this report were discussed on September 8, 2014, with M. Celita Green, Controller; Karen Freeman-Wilson, Mayor; Mary Brown, Common Council; Richard Leverett, Chief of Staff; Michelle Roby, Chief Accountant; Virgil Moore Jr., Financial Advisor Common Council; and Roxanne Williams, Internal Auditor.

The contents of this report were discussed on September 9, 2014, with Larry McKinley, Chief of Police; Gloria Lowe-Walker, Director of Administrative Services; M. Celita Green, Controller; Michelle Roby, Chief Accountant; and Roxanne Williams, Internal Auditor.

PARK DEPARTMENT
CITY OF GARY

PARK DEPARTMENT
CITY OF GARY
AUDIT RESULT AND COMMENT

RECEIPT ISSUANCE (Park Department)

Internal controls are lacking over the receipting process at the Hudson Campbell Center. Receipts are issued by various employees and collections are not reconciled to the issued receipts. Consequently, on some days, collections were receipted twice.

In addition, receipts for daily entrance fees were not written individually for each person. Instead, the entrance fees were combined and one receipt was issued. However, the receipts were issued up to two days after the daily fee was paid.

Furthermore, remittances to the Controller's Office from the Hudson Campbell Center for physical fitness fees were compared to receipts issued at the Hudson Campbell Center. On 27 percent of the days tested, the amount evidenced by receipts issued exceeded daily remittances to the Controller's Office. This is the result of receipts which were issued more than once for the same collections. Alternatively, on 45 percent of the days tested, daily remittances to the Controller's Office exceeded the amount evidenced by receipts issued. This is an indication that receipts are not issued for all collections.

A similar comment appeared in the prior audit.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF GARY

RESPONSES TO 2013 AUDIT RESULT AND COMMENTS

OVERDRAWN CASH BALANCES

The City continues to make every effort to eliminate overdrawn cash balances. Deficit balances gradually accumulated over the years for the General Fund and Self Insurance fund due to diminished property taxes and gaming revenues, which also affected the City's ability to make matches to the Emergency Shelter and Health Services grant. The City is diligently working to obtain new revenue streams to assist in reducing its deficits, and to make its grants matches in a timely manner.

TEMPORARY TRANSFERS OF FUNDS (INCLUDES GARY SANITARY DISTRICT)

The City is working meticulously to reduce the amount of temporary inter-fund transfers outstanding. Between January 1, 2014 and June 30, 2014, the \$1,700,000 due to the Casino fund from General Fund was paid off; additionally \$2,300,000 was paid down on the loan from the General Fund to Gary Sanitary District. Also \$2,225,000 was repaid from General Fund to the Consolidated TIF, and \$75,000 was repaid from the Parks Fund to Consolidated TIF. In August of 2014, another \$500,000 was repaid from the General Fund to Consolidated TIF. Many of the prior year loans were established prior to the property tax caps, and therefore it has become difficult to repay the loans with reduced property taxes in current years.

In the past, Gary Sanitary District has made inter-fund loans between the General Operating Fund and Solid Waste Fund to cover the costs of operations, due to the extremely low solid waste collections rate. In 2013, a decision was made to account for the transactions as transfers between these funds. GSD management is evaluating plans to address the outstanding loans between the funds and will seek board approval once a final resolution is determined.

PENALTIES-GARY SANITARY DISTRICT

The District will begin assessing the required ten percent penalties on delinquent payment of wastewater fee in accordance with IC 36-9-34-31.

DELINQUENT WASTEWATER ACCOUNTS

The District will begin sending the delinquent wastewater fees and penalties to the County Auditor to be certified, as we have sent them to be recorded with the Records Office.

CONDITIONS OF RECORDS-CLERK

The State Board of Accounts' representative noted the Clerk's diligence in this audit by acknowledging that "The Clerk's office personnel have been researching the manually maintained records to find posting errors from prior years in both the Cash Bond Register and the Trust Register from the Criminal Division. Transactions since April 30, 2005 have been recorded using a computer system. They have been researching the old dockets from 1985 to 2005 to determine an accurate detail of the amount on hand as of April 2005 for both Cash Bond Trust items. As the officials have been researching the old dockets, they have posted in the computer system the detail amounts from prior to April 30, 2005 that are still held in Cash Bonds or Trust."

A significant number of Cash Bonds and Trust items have been identified within the past several years and successfully forfeited through the court in accordance with State Board of Accounts procedures. Cash Bonds are increasingly reduced more significantly. In 2013, a reduction of \$54,276.50 (7%) was recognized; and so far in 2014, a reduction of \$111,573.50 (14%) has been realized. However, the process remains tedious and budget cuts impacting the availability of additional staff continue to compromise the ability to progress as swiftly as desired.

The Clerk's office is working on other strategies to better expedite the research and final resolution to Cash Bonds and Trust items prior to 2005. Moving forward in this and other areas of the office, the commitment remains to render quality service to the citizens of our city and those individuals from outside of the city who conduct business there.

POLICE BUY MONEY

An ordinance will be submitted to the City Council for approval in accordance with IC 35-1-3 to allow expenditures for buys money and as authorized by IC 36-1-8-3.

EMERGENCY MEDICAL SERVICE MUTUAL AID CONTRACT

On September 9, 2014, the City received an initial audit result and comment from the State Board of Accounts (SBOA) regarding the Emergency Medical Service Mutual Aid Contract entered into by the City of Gary and Prompt Ambulance during the review meeting with the SBOA. In particular, the SBOA found that the City's Emergency Medical Service Mutual Aid Contract was not in writing as required under Indiana Code 10-14-6.5. The City disagreed with the comment because the Emergency Medical Service Mutual Aid Contract was in fact in writing and signed by both parties. The representatives from the SBOA acknowledged the Emergency Medical Service Mutual Aid Contract was in writing, but stated it was not approved by the Board of Public Works and Safety. The City requested an Indiana Code reference requiring approval by the BOW for all agreements regardless of monetary value. To date, no Indiana code reference has been provided to the City to substantiate the requirement of BOW approval for the Emergency Medical Service Mutual Aid Contract.

On September 11, 2014, the SBOA forwarded a modified audit result and comment regarding the EMS Mutual Aid Contract. The modified result and comment stated that the Emergency Medical Service Mutual Aid Contract was not entered into by ordinance or resolution approved by the Gary Common Council as required by Indiana Code 10-14-6.5-8 and 36-1-7. Indiana Code 10-4-6.5-8 states that mutual aid agreements must be approved in the same manner as inter-local cooperation agreements are approved under Indiana Code 36-1-7. However, Indiana Code 36-1-7 applies to political subdivisions and public entities. There is no mention of private entities in Indiana Code 36-1-7. Although the City agrees that the agreement would require the approval of the Common Council if the agreement was entered into with another political subdivision or government entity, the Emergency Medical Service Mutual Aid Contract involves a private entity. As such, the City contends that 36-1-7 is inapplicable and the audit result and comment regarding the same is in error.

RECEIPT ISSUANCE-PARK DEPARTMENT

The Park Department purchased a software program called Gym Assistance. Prior to purchasing the Gym Assistant software, we would record the number of day passes purchased during the day in the receipt book. Previously, there were several instances where errors or duplications occurred that resulted in audit comments.

We are now solely relying on the detailed and summary reports that we print at the close of business to verify our transactions and revenue for the day. Since our receipt printer is working, and the state allowed us to discontinue writing out receipts, we are no longer having instances of duplicate transactions.

PARK DEPARTMENT
CITY OF GARY
EXIT CONFERENCE

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The contents of this report were discussed on September 9, 2014, with Lori Peterson Latham, Superintendent; Victoria Ward, Administrative Assistant; Nathaniel V. George, Director of Hudson Campbell; M. Celita Green, Controller; Michelle Roby, Chief Accountant; and Roxanne Williams, Internal Auditor.

REDEVELOPMENT DEPARTMENT
CITY OF GARY

REDEVELOPMENT DEPARTMENT
CITY OF GARY
FEDERAL FINDINGS

**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.

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

REDEVELOPMENT DEPARTMENT
CITY OF GARY
FEDERAL FINDINGS
(Continued)

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 2013-003 - 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.

REDEVELOPMENT DEPARTMENT
CITY OF GARY
FEDERAL FINDINGS
(Continued)

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:

- (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.



City Of Gary

KAREN M. FREEMAN-WILSON
Mayor

DEPARTMENT OF COMMUNITY DEVELOPMENT
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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
(Date)



City Of Gary

KAREN M. FREEMAN-WILSON
Mayor

DEPARMTENT OF COMMUNITY DEVELOPMENT
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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)

REDEVELOPMENT DEPARTMENT
CITY OF GARY
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The contents of this report were discussed on September 9, 2014, with Joseph Van Dyk, Director; Carrol Pirtle, Acquisition Technician Secretary; Jacquelyn Lynon, Fiscal Technical Specialist; Cedric Kuykendall, Demolition Coordinator; M. Celita Green, Controller; Michelle Roby, Chief Accountant; and Roxanne Williams, Internal Auditor.

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LAW DEPARTMENT
CITY OF GARY

LAW DEPARTMENT
CITY OF GARY
AUDIT RESULT AND COMMENT

EMERGENCY MEDICAL SERVICE MUTUAL AID CONTRACT

On November 16, 2012, the Fire Chief entered into a written mutual aid agreement with a private corporation for emergency medical services (EMS) on an as needed basis. The agreement included wording that it may be a necessity for the City of Gary to request dedicated resources from the private corporation to supplement an anticipated or unanticipated shortage of resources for extended periods of time at no charge to the City. As part of the agreement, the private corporation is allowed to also answer private ambulance calls from the City's fire station. The agreement was not entered into by ordinance or resolution approved by the Common Council as required by Indiana Code 10-14-6.5-8 and 36-1-7.

Indiana Code 10-14-6.5-4(c) states:

"This chapter may not be construed to prohibit a private entity or its employees from participating in the provision of mutual aid if:

- (1) the participating political subdivision approves the participation of the private entity; and
- (2) a contract between the political subdivision and the participating private entity permits the participation."

Indiana Code 10-14-6.5-8 states: "A mutual aid agreement under this chapter must be approved in the same manner as interlocal cooperation agreements are approved under IC 36-1-7."

Indiana Code 36-1-7-2(a) states in part: ". . . Entities that want to do this must, by ordinance or resolution, enter into a written agreement under section 3 or 9 of this chapter."

CITY OF GARY

RESPONSES TO 2013 AUDIT RESULT AND COMMENTS

OVERDRAWN CASH BALANCES

The City continues to make every effort to eliminate overdrawn cash balances. Deficit balances gradually accumulated over the years for the General Fund and Self Insurance fund due to diminished property taxes and gaming revenues, which also affected the City's ability to make matches to the Emergency Shelter and Health Services grant. The City is diligently working to obtain new revenue streams to assist in reducing its deficits, and to make its grants matches in a timely manner.

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The contents of this report were discussed on September 9, 2014, with Niquelle Allen, President of the Board of Works and Safety and Corporation Counsel; Richard Leverett, Chief of Staff; M. Celita Green, Controller; Michelle Roby, Chief Accountant; and Roxanne Williams, Internal Auditor.