

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF HAMMOND
LAKE COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED

08/20/2015

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	10-11
Notes to Financial Statement	12-19
Other Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	22-37
Schedule of Leases and Debt	38
Schedule of Capital Assets.....	39
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance.....	42-44
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards.....	46-47
Notes to Schedule of Expenditures of Federal Awards	48
Schedule of Findings and Questioned Costs	49-66
Auditee Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	68-78
Corrective Action Plan	79-111
Other Report	112

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Robert Lendi, CPA	01-01-13 to 04-30-14
	(Vacant)	05-01-14 to 05-11-14
	Heather Garay	05-12-14 to 12-31-15
Mayor	Thomas M. McDermott, Jr.	01-01-12 to 12-31-15
Clerk	Robert J. Golec	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	William J. O'Connor	01-01-13 to 06-30-13
	Robert Lendi, CPA	07-01-13 to 04-30-14
	Edward Krusa	05-01-14 to 12-31-15
President of the Common Council	Michael Opinker	01-01-13 to 12-31-15
President of the Redevelopment Commission	McKinley Nutall	01-01-13 to 12-31-13
	Jimmie Lambert	01-01-14 to 08-19-14
	Anthony Hauprich	08-20-14 to 12-31-15
President of the Park Board	Arthur Peschke, Jr.	01-01-13 to 12-31-15
Chief Executive Operator of the Water Utility	Edward Krusa	01-01-13 to 12-31-15
President of the Utility Service Board	Sharon Daniels	01-01-13 to 12-31-15
Water Utility Office Manager	Deborah Van Meter	01-01-13 to 12-31-15
Sanitary District Manager	Michael T. Unger, Ph.D.	01-01-13 to 11-25-13
	Marty Wieglos	11-26-13 to 12-31-15
President of the Sanitary District Board of Commissioners	Stanley J. Dostatni	01-01-13 to 12-31-15
Sanitary District Business Manager	Rachel Montes	01-01-13 to 12-31-15
Director of the Port Authority	Milan Kruszynski	01-01-13 to 12-31-15
Chairman of the Port Authority Board of Directors	Dennis Hardesty	01-01-13 to 12-31-13
	Scott Rakos	01-01-14 to 12-31-15
Port Authority Financial Director	Richard Szany	01-01-13 to 12-31-15



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


Other Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 18, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

May 18, 2015



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the City of Hammond (City), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated May 18, 2015, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001, 2013-002, and 2013-003 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

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


determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 and 2013-002.

City of Hammond's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

May 18, 2015

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
General	\$ (23,409,240)	\$ 48,249,909	\$ 58,669,671	\$ (33,829,002)
M. V. H.	(2,519,739)	2,914,039	3,533,577	(3,139,277)
LRS	(373,282)	771,194	1,369,417	(971,505)
Transit	(375,309)	-	-	(375,309)
Clerks Perpetual	124,365	22,181	18,505	128,041
Deferral Program	304,794	127,759	222,042	210,511
Gaming Revenue	25,615,371	37,141,836	36,316,950	26,440,257
Park	(3,467,049)	5,329,567	3,788,507	(1,925,989)
Pretrial Div Program	3,710	58,060	59,140	2,630
Haz-Mat	12,184	86,194	20,400	77,978
Major Moves	17,351	-	-	17,351
C.C.D.F.	737,851	177,346	553,394	361,803
C.C.I.F.	223,234	216,988	381,429	58,793
Self Insurance	498,740	21,866,896	19,813,705	2,551,931
Police Pension	2,355,103	5,846,081	5,132,826	3,068,358
Fire Pension	3,913,686	5,105,971	4,905,836	4,113,821
Façade	25,101	100,000	74,571	50,530
Centrex	(76,645)	17,659	18,457	(77,443)
Diesel Fuel Tax	12,969	11,559	19,732	4,796
College Bound	32,986	11,524	-	44,510
Demolition	394,359	1,063,103	481,537	975,925
Cut And Clean	8,824	175,274	152,759	31,339
Graffiti Removal	164	-	134	30
Homebound	585	200,522	151,119	49,988
Redv Event Fund	34,465	2,300,100	2,051,758	282,807
NSP/Neighborhood Stabilization	(144,219)	1,972,588	1,682,405	145,964
Engineering	1,584,015	1,300,000	105,702	2,778,313
ASAP Grant	65,275	-	-	65,275
Columbia Plaza TIF	374,781	673,133	-	1,047,914
Lear TIF	2,032,136	369,623	1,400	2,400,359
Downtown TIF	1,962,711	772,344	65,201	2,669,854
Home Depot TIF	2,041,842	481,652	210,400	2,313,094
Woodmar TIF	4,165,744	984,697	256,301	4,894,140
Woodmar Gateways TIF	954,057	780,519	954,057	780,519
Gateways TIF	884,604	1,390,086	45,423	2,229,267
Judge Gen 756777	-	379,703	379,703	-
HPRP Homeless Prevention	(16,083)	16,083	-	-
City Clerk Trust Funds	1,989,164	4,516,280	4,660,186	1,845,258
HIDTA Overtime Reimbursement	14,194	99,476	69,274	44,396
HIDTA Equipment Grant - Drug Free Lk CT	386	-	-	386
Human Relations Grant	(465)	56,250	49,376	6,409
River Park Refunding General	148,192	2,310,001	2,309,969	148,224
Jobs Bill Bond General Fund	13	3,272,953	3,259,140	13,826
Jobs Bill Bond COI	15,000	-	15,000	-
Jobs Bill Bond DSR	1,735,418	15,317	50,730	1,700,005
Potash Bond Interest	321,165	17	321,182	-
Potash Bond COI	2,000	-	2,000	-
Potash Bond Construction	7,499,749	106,321	94,661	7,511,409
Potash Bond DSR	1,121,001	112	-	1,121,113
Potash Bond General	175,129	300,035	321,165	153,999
Recycling Grant	-	215,133	-	215,133
Seatbelt Enforcement	-	-	1,452	(1,452)
Potash	-	237,910	-	237,910
Jobs Rebt	-	36,165	1	36,164
Red P & I	-	-	152,434	(152,434)
Public Defender	1,500	75	-	1,575
Fed Forfeit Pro	38,696	25,027	42,084	21,639
Evidence Money	20,629	43,688	43,688	20,629
Police Donation	47,697	6,690	14,331	40,056
Park Activities	123,296	182,041	264,486	40,851
Background Cks	550	1,035	1,230	355
State Forfieted	4,057	38,071	11,997	30,131
Fed Prisoners	165,453	416,047	177,581	403,919
Impaired Driving	(13,675)	59,492	54,236	(8,419)

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

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

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
Redevelopment	775,388	340,461	980,976	134,873
Park/Tourism	8,028	16,020	19,253	4,795
Eco Dev/Tourism	21,647	10,800	3,537	28,910
CDBG Escrow	175,110	215,599	165,369	225,340
Human Relations	6,411	100	110	6,401
Public Safety	23,817	835,207	789,903	69,121
Water Hydrant Rental	380,658	-	183,367	197,291
Penalties	3,295,374	32,393	684,319	2,643,448
Human Rel (Fed)	61,284	15,074	15,206	61,152
Local Seizure	(8,188)	-	-	(8,188)
C.D.B.G.	(219,185)	2,711,692	2,842,576	(350,069)
Ambulance Fees	(125,000)	-	124,735	(249,735)
CDBG Donation	52,132	7,425	46,588	12,969
Anm Ctrl Donation	3,706	1,920	2,770	2,856
Vehicle Release	15,352	52,315	50,439	17,228
Unemployment	(461,132)	32,216	45,571	(474,487)
Adult Probation	125,437	158,970	184,712	99,695
Tobacco Ed/Judg	16,684	3,250	2,800	17,134
Henry Unit	(856,472)	156,000	597,981	(1,298,453)
Park/Gaming	94,137	765,737	845,866	14,008
Afford Housing	(172,727)	1,047,410	1,001,746	(127,063)
Emergency/CDBG	(15,396)	141,533	87,769	38,368
Section 108	81,486	-	-	81,486
Technology Park	598,775	774,997	320,000	1,053,772
Insp/Rental	(169,727)	1,008,148	1,118,174	(279,753)
H D Bond 756775	1	213,302	130,650	82,653
Civil City Bond	708,303	250,951	975,105	(15,851)
H D Proj 756776	5,401	-	5,401	-
R P Gam 756773	2,255,435	2,068,298	2,309,977	2,013,756
Cabela's/105415	2,339,829	954,057	1,933,050	1,360,836
Golf Course	(244,270)	-	-	(244,270)
Cost Due County	-	186,018	186,018	-
Continuing Ed	38,029	93,001	79,229	51,801
Pay Withholding	74,654	12,127,322	12,075,764	126,212
Operations	(1,735,189)	14,782,103	14,454,999	(1,408,085)
Pre Treatment	357,142	351,284	301,934	406,492
Unemployment	47,677	28,894	25,191	51,380
Sewer	167,741	2,516,647	2,787,783	(103,395)
GIS	2,039	-	-	2,039
Storm Water	1,490,490	308,920	42,929	1,756,481
Sanitation	(296,506)	4,864,919	4,986,715	(418,302)
Recycling	(667,185)	846,575	1,174,812	(995,422)
Great Lakes Legacy	42,746	2,021,093	2,017,738	46,101
2010 Bond	7,382,426	112,287	2,516,179	4,978,534
SRF Loan	2,586,049	2,594	1,378,749	1,209,894
Replacement	1,485,854	400,000	250,823	1,635,031
Debt Service Non Exempt	139,329	1,278,969	1,277,474	140,824
Debt Service Exempt	2,140,636	7,385,714	7,558,626	1,967,724
Capital Projects BAN	3,675,573	1,573,466	3,580,828	1,668,211
SRF Loan 7	-	52,959,627	23,082,811	29,876,816
Water Utility	3,197,640	11,611,518	11,537,875	3,271,283
Water Utility - City Clearing Fund	-	4,537,450	3,300,000	1,237,450
Marina Operations	643,123	3,319,639	3,364,748	598,014
Marina Construction	3,858,988	2,156,124	3,029,081	2,986,031
Gaming Fund	1,243,948	7,078,252	7,611,680	710,520
Lakefront Management	25,243	77,170	66,809	35,604
Lost Marsh Golf Course	630,947	1,476,157	1,517,746	589,358
Wolf Lake Operations	253,778	850,959	789,291	315,446
RDA Project	46,375	3,766,046	2,856,671	955,750
2008 Revenue Bond DSR	1,250,000	-	-	1,250,000
2008 Revenue Bond Debt Service	1,017,542	2,644,834	2,440,000	1,222,376
Payroll and Withholding	(98)	405,043	405,043	(98)
Totals	\$ 69,279,879	\$ 304,428,826	\$ 283,517,757	\$ 90,190,948

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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENT
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

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

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

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

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

E. Disbursements

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

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

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

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

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

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

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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENT
(Continued)

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

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

C. 1937 Firefighters' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Plan Description

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

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

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

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

Funding Policy

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. Some are the result of reimbursements for expenditures of federal and state grants not received by December 31, 2013. The remaining funds with cash balance deficits are the result of expenditures exceeding receipts and available cash balances.

Note 8. Subsequent Events

A. New Major Debt

The City issued the following new major debt in 2014:

- I. On August 25, 2014, the City of Hammond issued the City of Hammond Indiana Economic Development District Revenue Bonds, Series 2014 (Gateway Area Project) for \$850,000 for the "Gateway Area Project." The debt will be used finance a portion of acquisition, construction, installation, and equipping of a new restaurant in the TIF district. The debt will be repaid by TIF Increment revenues from the Gateway Development Area.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENT
(Continued)

- II. On December 10, 2014, the City of Hammond issued the City of Hammond, Indiana General Obligation Park Bonds, Series 2014 for \$7,622,261.90 for the "Dowling Park Project." This debt was issued to finance a multi-purpose outdoor sports complex and recreational facilities. The debt will be repaid by property tax revenues.
- III. On August 26, 2014, the Sanitary District issued the Special Taxing District Refunding Bonds Series 2014 for \$12,150,000. The debt will be used to partially refund the following previous debt:
 - a. Special Taxing District Bonds Series 2001B
 - b. Special Taxing District Bonds Series 2001A
 - c. Special Taxing District Bonds Series 1998A
 - d. Special Taxing District Bonds Series 1997AThe debt will be repaid by property tax revenues.
- IV. On April 22, 2014, the Hammond Sanitary District issued the Taxable Ad Valorem Property Tax First Mortgage Bonds, Series 2014 for \$12,555,000 for the "Hammond Sanitary Building Corporation Project." The debt will be used for the acquisition, renovation, and equipping of a building for use by the Hammond Sanitary District. The debt will be repaid primarily by wastewater revenues and secondarily by property tax revenues.
- V. On October 17, 2014, the Hammond Common Council approved Ordinance No. 9277 which authorized the issuance and sale of revenue bonds, in an aggregate principal amount not to exceed \$36,500,000, to procure funds to be used in the exercise of the powers of the City or for the payment of City debts. The bond is currently being marketed as a direct placement bond. The bond will be repaid by a portion of the City's share of water revenues derived from the Hammond Water Works contract with the City of Chicago Heights. Gaming revenues are pledged a backup source for debt service payments. The City anticipates closing on this bond in June 2015.

Additional information regarding the issuance of these debts can be found at www.gateway.ifionline.org.

B. Major Changes to the Status of Fixed Assets

The City made major changes to fixed assets in 2014. The property at 625 Conkey Street, formerly the City of Hammond Recycling Center, was sold to JJS Recycling Factory LLC on September 12, 2014, for the amount of \$485,870.

Additional information regarding the sale of this property can be obtained by contacting the City.

C. Lawsuits

The Hammond Sanitary District was named in a complaint filed by Northern Indiana Public Service Company (NIPSCO) on August 26, 2014. The complaint alleges the Hammond Sanitary District is delinquent in payment in the amount of \$2,775,000. The parties are currently in settlement negotiations.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. *Other Postemployment Benefits*

The City provides to eligible retirees and their spouses the following benefits: Medicare supplements health insurance, vision and dental coverage, and life insurance. These benefits pose a liability to the City for this year and in future years. Information regarding the benefits can be obtained by contacting the City.

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OTHER INFORMATION - UNAUDITED

The City's Annual Financial Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

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

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

	General	M. V. H.	LRS	Transit	Clerks Perpetual	Deferral Program	Gaming Revenue	Park
Cash and investments - beginning	\$ (23,409,240)	\$ (2,519,739)	\$ (373,282)	\$ (375,309)	\$ 124,365	\$ 304,794	\$ 25,615,371	\$ (3,467,049)
Receipts:								
Taxes	23,510,932	-	-	-	-	-	-	4,585,097
Licenses and permits	2,089,484	-	-	-	-	-	-	-
Intergovernmental	3,477,352	2,396,700	771,194	-	-	-	37,073,514	396,018
Charges for services	5,210,676	-	-	-	-	-	-	318,765
Fines and forfeits	511,700	-	-	-	22,181	127,759	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	13,449,765	517,339	-	-	-	-	68,322	29,687
Total receipts	<u>48,249,909</u>	<u>2,914,039</u>	<u>771,194</u>	<u>-</u>	<u>22,181</u>	<u>127,759</u>	<u>37,141,836</u>	<u>5,329,567</u>
Disbursements:								
Personal services	51,396,077	3,000,563	-	-	18,505	-	87,778	2,859,423
Supplies	984,107	294,995	874,956	-	-	-	-	309,908
Other services and charges	6,049,143	226,019	494,461	-	-	222,042	-	397,783
Debt service - principal and interest	-	-	-	-	-	-	9,735,887	-
Capital outlay	84,344	-	-	-	-	-	12,823,285	38,240
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	156,000	12,000	-	-	-	-	13,670,000	183,153
Total disbursements	<u>58,669,671</u>	<u>3,533,577</u>	<u>1,369,417</u>	<u>-</u>	<u>18,505</u>	<u>222,042</u>	<u>36,316,950</u>	<u>3,788,507</u>
Excess (deficiency) of receipts over disbursements	<u>(10,419,762)</u>	<u>(619,538)</u>	<u>(598,223)</u>	<u>-</u>	<u>3,676</u>	<u>(94,283)</u>	<u>824,886</u>	<u>1,541,060</u>
Cash and investments - ending	<u>\$ (33,829,002)</u>	<u>\$ (3,139,277)</u>	<u>\$ (971,505)</u>	<u>\$ (375,309)</u>	<u>\$ 128,041</u>	<u>\$ 210,511</u>	<u>\$ 26,440,257</u>	<u>\$ (1,925,989)</u>

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

	Pretrial Div Program	Haz-Mat	Major Moves	C.C.D.F.	C.C.I.F.	Self Insurance	Police Pension	Fire Pension
Cash and investments - beginning	\$ 3,710	\$ 12,184	\$ 17,351	\$ 737,851	\$ 223,234	\$ 498,740	\$ 2,355,103	\$ 3,913,686
Receipts:								
Taxes	-	-	-	162,487	-	-	49,757	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	14,034	216,988	-	5,791,885	5,105,971
Charges for services	-	86,194	-	-	-	-	-	-
Fines and forfeits	58,060	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	-	-	825	-	21,866,896	4,439	-
Total receipts	58,060	86,194	-	177,346	216,988	21,866,896	5,846,081	5,105,971
Disbursements:								
Personal services	-	-	-	-	-	-	11,332	12,822
Supplies	-	-	-	-	-	-	255	259
Other services and charges	59,140	400	-	-	381,429	-	5,118,929	4,892,755
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	553,394	-	-	2,310	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	20,000	-	-	-	19,813,705	-	-
Total disbursements	59,140	20,400	-	553,394	381,429	19,813,705	5,132,826	4,905,836
Excess (deficiency) of receipts over disbursements	(1,080)	65,794	-	(376,048)	(164,441)	2,053,191	713,255	200,135
Cash and investments - ending	\$ 2,630	\$ 77,978	\$ 17,351	\$ 361,803	\$ 58,793	\$ 2,551,931	\$ 3,068,358	\$ 4,113,821

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

	Façade	Centrex	Diesel Fuel Tax	College Bound	Demolition	Cut And Clean	Graffiti Removal	Homebound
Cash and investments - beginning	\$ 25,101	\$ (76,645)	\$ 12,969	\$ 32,986	\$ 394,359	\$ 8,824	\$ 164	\$ 585
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	100,000	17,659	11,559	11,524	1,063,103	175,274	-	200,522
Total receipts	<u>100,000</u>	<u>17,659</u>	<u>11,559</u>	<u>11,524</u>	<u>1,063,103</u>	<u>175,274</u>	<u>-</u>	<u>200,522</u>
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	74,571	18,457	19,732	-	381,537	152,759	134	151,119
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	100,000	-	-	-
Total disbursements	<u>74,571</u>	<u>18,457</u>	<u>19,732</u>	<u>-</u>	<u>481,537</u>	<u>152,759</u>	<u>134</u>	<u>151,119</u>
Excess (deficiency) of receipts over disbursements	<u>25,429</u>	<u>(798)</u>	<u>(8,173)</u>	<u>11,524</u>	<u>581,566</u>	<u>22,515</u>	<u>(134)</u>	<u>49,403</u>
Cash and investments - ending	<u>\$ 50,530</u>	<u>\$ (77,443)</u>	<u>\$ 4,796</u>	<u>\$ 44,510</u>	<u>\$ 975,925</u>	<u>\$ 31,339</u>	<u>\$ 30</u>	<u>\$ 49,988</u>

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

	Redv Event Fund	NSP/Neighborhood Stabilization	Engineering	ASAP Grant	Columbia Plaza TIF	Lear TIF	Downtown TIF	Home Depot TIF
Cash and investments - beginning	\$ 34,465	\$ (144,219)	\$ 1,584,015	\$ 65,275	\$ 374,781	\$ 2,032,136	\$ 1,962,711	\$ 2,041,842
Receipts:								
Taxes	-	-	-	-	673,133	369,623	758,844	481,652
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	752,875	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	2,300,100	1,219,713	1,300,000	-	-	-	13,500	-
Total receipts	<u>2,300,100</u>	<u>1,972,588</u>	<u>1,300,000</u>	<u>-</u>	<u>673,133</u>	<u>369,623</u>	<u>772,344</u>	<u>481,652</u>
Disbursements:								
Personal services	-	116,545	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	47,944	137,589	-	-	-	1,400	65,201	-
Debt service - principal and interest	1,753,814	-	-	-	-	-	-	210,400
Capital outlay	-	1,419,871	105,702	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	250,000	8,400	-	-	-	-	-	-
Total disbursements	<u>2,051,758</u>	<u>1,682,405</u>	<u>105,702</u>	<u>-</u>	<u>-</u>	<u>1,400</u>	<u>65,201</u>	<u>210,400</u>
Excess (deficiency) of receipts over disbursements	<u>248,342</u>	<u>290,183</u>	<u>1,194,298</u>	<u>-</u>	<u>673,133</u>	<u>368,223</u>	<u>707,143</u>	<u>271,252</u>
Cash and investments - ending	<u>\$ 282,807</u>	<u>\$ 145,964</u>	<u>\$ 2,778,313</u>	<u>\$ 65,275</u>	<u>\$ 1,047,914</u>	<u>\$ 2,400,359</u>	<u>\$ 2,669,854</u>	<u>\$ 2,313,094</u>

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

	Woodmar TIF	Woodmar Gateways TIF	Gateways TIF	Judge Gen 756777	HPRP Homeless Prevention	City Clerk Trust Funds	HIDTA Overtime Reimbursement	HIDTA Equipment Grant - Drug Free Lk CT
Cash and investments - beginning	\$ 4,165,744	\$ 954,057	\$ 884,604	\$ -	\$ (16,083)	\$ 1,989,164	\$ 14,194	\$ 386
Receipts:								
Taxes	984,697	780,519	1,390,086	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	99,476	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	4,516,280	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	-	-	379,703	16,083	-	-	-
Total receipts	<u>984,697</u>	<u>780,519</u>	<u>1,390,086</u>	<u>379,703</u>	<u>16,083</u>	<u>4,516,280</u>	<u>99,476</u>	<u>-</u>
Disbursements:								
Personal services	-	-	-	-	-	-	69,274	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	45,423	-	-	-	-	-
Debt service - principal and interest	-	954,057	-	379,703	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	256,301	-	-	-	-	4,660,186	-	-
Total disbursements	<u>256,301</u>	<u>954,057</u>	<u>45,423</u>	<u>379,703</u>	<u>-</u>	<u>4,660,186</u>	<u>69,274</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>728,396</u>	<u>(173,538)</u>	<u>1,344,663</u>	<u>-</u>	<u>16,083</u>	<u>(143,906)</u>	<u>30,202</u>	<u>-</u>
Cash and investments - ending	<u>\$ 4,894,140</u>	<u>\$ 780,519</u>	<u>\$ 2,229,267</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,845,258</u>	<u>\$ 44,396</u>	<u>\$ 386</u>

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

	Human Relations Grant	River Park Refunding General	Jobs Bill Bond General Fund	Jobs Bill Bond COI	Jobs Bill Bond DSR	Potash Bond Interest	Potash Bond COI	Potash Bond Construction
Cash and investments - beginning	\$ (465)	\$ 148,192	\$ 13	\$ 15,000	\$ 1,735,418	\$ 321,165	\$ 2,000	\$ 7,499,749
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	56,250	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	2,310,001	3,272,953	-	15,317	17	-	106,321
Total receipts	56,250	2,310,001	3,272,953	-	15,317	17	-	106,321
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	49,376	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	3,236,476	-	-	-	-	57,286
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	2,309,969	22,664	15,000	50,730	321,182	2,000	37,375
Total disbursements	49,376	2,309,969	3,259,140	15,000	50,730	321,182	2,000	94,661
Excess (deficiency) of receipts over disbursements	6,874	32	13,813	(15,000)	(35,413)	(321,165)	(2,000)	11,660
Cash and investments - ending	\$ 6,409	\$ 148,224	\$ 13,826	\$ -	\$ 1,700,005	\$ -	\$ -	\$ 7,511,409

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

	Potash Bond DSR	Potash Bond General	Recycling Grant	Seatbelt Enforcement	Potash	Jobs Rebt	Red P & I	Public Defender
Cash and investments - beginning	\$ 1,121,001	\$ 175,129	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,500
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	215,133	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	75
Utility fees	-	-	-	-	-	-	-	-
Other receipts	112	300,035	-	-	237,910	36,165	-	-
Total receipts	112	300,035	215,133	-	237,910	36,165	-	75
Disbursements:								
Personal services	-	-	-	1,452	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	152,434	-
Debt service - principal and interest	-	321,165	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	1	-	-
Total disbursements	-	321,165	-	1,452	-	1	152,434	-
Excess (deficiency) of receipts over disbursements	112	(21,130)	215,133	(1,452)	237,910	36,164	(152,434)	75
Cash and investments - ending	\$ 1,121,113	\$ 153,999	\$ 215,133	\$ (1,452)	\$ 237,910	\$ 36,164	\$ (152,434)	\$ 1,575

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

	Fed Forfeit Pro	Evidence Money	Police Donation	Park Activities	Background Cks	State Forfeited	Fed Prisoners	Impaired Driving
Cash and investments - beginning	\$ 38,696	\$ 20,629	\$ 47,697	\$ 123,296	\$ 550	\$ 4,057	\$ 165,453	\$ (13,675)
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	38,071	-	59,492
Charges for services	-	43,688	-	182,041	1,035	-	416,047	-
Fines and forfeits	25,027	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	-	6,690	-	-	-	-	-
Total receipts	<u>25,027</u>	<u>43,688</u>	<u>6,690</u>	<u>182,041</u>	<u>1,035</u>	<u>38,071</u>	<u>416,047</u>	<u>59,492</u>
Disbursements:								
Personal services	-	-	-	-	-	-	-	54,236
Supplies	-	-	-	-	-	-	-	-
Other services and charges	42,084	43,688	14,331	134,486	1,230	11,997	177,581	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	130,000	-	-	-	-
Total disbursements	<u>42,084</u>	<u>43,688</u>	<u>14,331</u>	<u>264,486</u>	<u>1,230</u>	<u>11,997</u>	<u>177,581</u>	<u>54,236</u>
Excess (deficiency) of receipts over disbursements	<u>(17,057)</u>	<u>-</u>	<u>(7,641)</u>	<u>(82,445)</u>	<u>(195)</u>	<u>26,074</u>	<u>238,466</u>	<u>5,256</u>
Cash and investments - ending	<u>\$ 21,639</u>	<u>\$ 20,629</u>	<u>\$ 40,056</u>	<u>\$ 40,851</u>	<u>\$ 355</u>	<u>\$ 30,131</u>	<u>\$ 403,919</u>	<u>\$ (8,419)</u>

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

	Redevelopment	Park/Tourism	Eco Dev/Tourism	CDBG Escrow	Human Relations	Public Safety	Water Hydrant Rental	Penalties
Cash and investments - beginning	\$ 775,388	\$ 8,028	\$ 21,647	\$ 175,110	\$ 6,411	\$ 23,817	\$ 380,658	\$ 3,295,374
Receipts:								
Taxes	313,157	16,020	10,800	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	25,715	-	-	-	-	835,207	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	32,393
Utility fees	-	-	-	-	-	-	-	-
Other receipts	1,589	-	-	215,599	100	-	-	-
Total receipts	340,461	16,020	10,800	215,599	100	835,207	-	32,393
Disbursements:								
Personal services	255,286	-	-	-	-	185,022	-	613,046
Supplies	8	-	-	-	-	-	-	3,385
Other services and charges	32,492	19,253	3,537	65,369	110	-	183,367	58,343
Debt service - principal and interest	-	-	-	-	-	287,638	-	-
Capital outlay	692,350	-	-	-	-	317,243	-	6,605
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	840	-	-	100,000	-	-	-	2,940
Total disbursements	980,976	19,253	3,537	165,369	110	789,903	183,367	684,319
Excess (deficiency) of receipts over disbursements	(640,515)	(3,233)	7,263	50,230	(10)	45,304	(183,367)	(651,926)
Cash and investments - ending	<u>\$ 134,873</u>	<u>\$ 4,795</u>	<u>\$ 28,910</u>	<u>\$ 225,340</u>	<u>\$ 6,401</u>	<u>\$ 69,121</u>	<u>\$ 197,291</u>	<u>\$ 2,643,448</u>

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

	Human Rel (Fed)	Local Seizure	C.D.B.G.	Ambulance Fees	CDBG Donation	Ann Ctrl Donation	Vehicle Release	Unemployment
Cash and investments - beginning	\$ 61,284	\$ (8,188)	\$ (219,185)	\$ (125,000)	\$ 52,132	\$ 3,706	\$ 15,352	\$ (461,132)
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	15,074	-	2,641,635	-	-	-	-	-
Charges for services	-	-	-	-	-	-	52,315	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	-	70,057	-	7,425	1,920	-	32,216
Total receipts	15,074	-	2,711,692	-	7,425	1,920	52,315	32,216
Disbursements:								
Personal services	-	-	404,022	-	-	-	-	45,571
Supplies	-	-	-	-	-	2,770	-	-
Other services and charges	15,206	-	2,000,489	-	46,588	-	50,439	-
Debt service - principal and interest	-	-	436,595	-	-	-	-	-
Capital outlay	-	-	-	124,735	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	1,470	-	-	-	-	-
Total disbursements	15,206	-	2,842,576	124,735	46,588	2,770	50,439	45,571
Excess (deficiency) of receipts over disbursements	(132)	-	(130,884)	(124,735)	(39,163)	(850)	1,876	(13,355)
Cash and investments - ending	<u>\$ 61,152</u>	<u>\$ (8,188)</u>	<u>\$ (350,069)</u>	<u>\$ (249,735)</u>	<u>\$ 12,969</u>	<u>\$ 2,856</u>	<u>\$ 17,228</u>	<u>\$ (474,487)</u>

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

	Adult Probation	Tobacco Ed/Judg	Henry Unit	Park/Gaming	Afford Housing	Emergency/CDBG	Section 108	Technology Park
Cash and investments - beginning	\$ 125,437	\$ 16,684	\$ (856,472)	\$ 94,137	\$ (172,727)	\$ (15,396)	\$ 81,486	\$ 598,775
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	857,564	141,533	-	774,997
Charges for services	-	-	-	405,191	-	-	-	-
Fines and forfeits	158,970	3,250	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	-	156,000	360,546	189,846	-	-	-
Total receipts	158,970	3,250	156,000	765,737	1,047,410	141,533	-	774,997
Disbursements:								
Personal services	171,713	-	597,981	1,711	134,516	-	-	-
Supplies	2,062	-	-	-	-	-	-	-
Other services and charges	8,528	2,800	-	844,155	866,810	87,769	-	320,000
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	913	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	1,496	-	-	-	420	-	-	-
Total disbursements	184,712	2,800	597,981	845,866	1,001,746	87,769	-	320,000
Excess (deficiency) of receipts over disbursements	(25,742)	450	(441,981)	(80,129)	45,664	53,764	-	454,997
Cash and investments - ending	<u>\$ 99,695</u>	<u>\$ 17,134</u>	<u>\$ (1,298,453)</u>	<u>\$ 14,008</u>	<u>\$ (127,063)</u>	<u>\$ 38,368</u>	<u>\$ 81,486</u>	<u>\$ 1,053,772</u>

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

	Inspt/Rental	H D Bond 756775	Civil City Bond	H D Proj 756776	R P Gam 756773	Cabela's/105415	Golf Course	Cost Due County
Cash and investments - beginning	\$ (169,727)	\$ 1	\$ 708,303	\$ 5,401	\$ 2,255,435	\$ 2,339,829	\$ (244,270)	\$ -
Receipts:								
Taxes	-	-	250,951	-	-	-	-	-
Licenses and permits	857,865	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	186,018
Utility fees	-	-	-	-	-	-	-	-
Other receipts	150,283	213,302	-	-	2,068,298	954,057	-	-
Total receipts	1,008,148	213,302	250,951	-	2,068,298	954,057	-	186,018
Disbursements:								
Personal services	920,953	-	-	-	-	-	-	-
Supplies	23,278	-	-	-	-	-	-	-
Other services and charges	173,443	-	-	-	-	-	-	186,018
Debt service - principal and interest	-	-	975,105	-	2,309,977	-	-	-
Capital outlay	500	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	130,650	-	5,401	-	1,933,050	-	-
Total disbursements	1,118,174	130,650	975,105	5,401	2,309,977	1,933,050	-	186,018
Excess (deficiency) of receipts over disbursements	(110,026)	82,652	(724,154)	(5,401)	(241,679)	(978,993)	-	-
Cash and investments - ending	\$ (279,753)	\$ 82,653	\$ (15,851)	\$ -	\$ 2,013,756	\$ 1,360,836	\$ (244,270)	\$ -

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

	Continuing Ed	Pay Withholding	Operations	Pre Treatment	Unemployment	Sewer	GIS	Storm Water
Cash and investments - beginning	\$ 38,029	\$ 74,654	\$ (1,735,189)	\$ 357,142	\$ 47,677	\$ 167,741	\$ 2,039	\$ 1,490,490
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	93,001	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	14,782,103	351,284	-	2,516,647	-	308,920
Other receipts	-	12,127,322	-	-	28,894	-	-	-
Total receipts	93,001	12,127,322	14,782,103	351,284	28,894	2,516,647	-	308,920
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	79,229	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	14,454,999	301,934	-	2,787,783	-	42,929
Other disbursements	-	12,075,764	-	-	25,191	-	-	-
Total disbursements	79,229	12,075,764	14,454,999	301,934	25,191	2,787,783	-	42,929
Excess (deficiency) of receipts over disbursements	13,772	51,558	327,104	49,350	3,703	(271,136)	-	265,991
Cash and investments - ending	<u>\$ 51,801</u>	<u>\$ 126,212</u>	<u>\$ (1,408,085)</u>	<u>\$ 406,492</u>	<u>\$ 51,380</u>	<u>\$ (103,395)</u>	<u>\$ 2,039</u>	<u>\$ 1,756,481</u>

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

	Sanitation	Recycling	Great Lakes Legacy	2010 Bond	SRF Loan	Replacement	Debt Service Non Exempt	Debt Service Exempt
Cash and investments - beginning	\$ (296,506)	\$ (667,185)	\$ 42,746	\$ 7,382,426	\$ 2,586,049	\$ 1,485,854	\$ 139,329	\$ 2,140,636
Receipts:								
Taxes	-	-	-	-	-	-	918,532	7,143,995
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	4,864,919	846,575	-	-	-	-	-	-
Other receipts	-	-	2,021,093	112,287	2,594	400,000	360,437	241,719
Total receipts	4,864,919	846,575	2,021,093	112,287	2,594	400,000	1,278,969	7,385,714
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	2,516,179	1,378,749	-	1,277,474	7,558,626
Capital outlay	-	-	-	-	-	250,823	-	-
Utility operating expenses	4,986,715	1,174,812	-	-	-	-	-	-
Other disbursements	-	-	2,017,738	-	-	-	-	-
Total disbursements	4,986,715	1,174,812	2,017,738	2,516,179	1,378,749	250,823	1,277,474	7,558,626
Excess (deficiency) of receipts over disbursements	(121,796)	(328,237)	3,355	(2,403,892)	(1,376,155)	149,177	1,495	(172,912)
Cash and investments - ending	\$ (418,302)	\$ (995,422)	\$ 46,101	\$ 4,978,534	\$ 1,209,894	\$ 1,635,031	\$ 140,824	\$ 1,967,724

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

	Capital Projects BAN	SRF Loan 7	Water Utility	Water Utility - City Clearing Fund	Marina Operations	Marina Construction	Gaming Fund	Lakefront Management
Cash and investments - beginning	\$ 3,675,573	\$ -	\$ 3,197,640	\$ -	\$ 643,123	\$ 3,858,988	\$ 1,243,948	\$ 25,243
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	40,000	7,000,000	-
Charges for services	-	-	-	-	2,376,381	-	-	37,170
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	11,591,292	4,537,450	-	-	-	-
Other receipts	1,573,466	52,959,627	20,226	-	943,258	2,116,124	78,252	40,000
Total receipts	1,573,466	52,959,627	11,611,518	4,537,450	3,319,639	2,156,124	7,078,252	77,170
Disbursements:								
Personal services	-	-	3,336,625	-	751,036	-	201,434	53,707
Supplies	-	-	-	-	989,083	-	-	-
Other services and charges	-	-	1,677,797	-	1,229,790	-	185,000	6,691
Debt service - principal and interest	2,085,319	-	-	-	-	-	-	-
Capital outlay	-	23,082,811	316,180	-	86,138	2,729,081	479,637	2,302
Utility operating expenses	-	-	5,592,273	-	-	-	-	-
Other disbursements	1,495,509	-	615,000	3,300,000	308,701	300,000	6,745,609	4,109
Total disbursements	3,580,828	23,082,811	11,537,875	3,300,000	3,364,748	3,029,081	7,611,680	66,809
Excess (deficiency) of receipts over disbursements	(2,007,362)	29,876,816	73,643	1,237,450	(45,109)	(872,957)	(533,428)	10,361
Cash and investments - ending	\$ 1,668,211	\$ 29,876,816	\$ 3,271,283	\$ 1,237,450	\$ 598,014	\$ 2,986,031	\$ 710,520	\$ 35,604

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

	Lost Marsh Golf Course	Wolf Lake Operations	RDA Project	2008 Revenue Bond DSR	2008 Revenue Bond Debt Service	Payroll and Withholding	Totals
Cash and investments - beginning	\$ 630,947	\$ 253,778	\$ 46,375	\$ 1,250,000	\$ 1,017,542	\$ (98)	\$ 69,279,879
Receipts:							
Taxes	-	-	-	-	-	-	42,400,282
Licenses and permits	-	-	-	-	-	-	3,040,350
Intergovernmental	-	-	3,764,646	-	-	-	72,561,324
Charges for services	1,186,072	125,378	1,400	-	-	-	10,442,353
Fines and forfeits	-	-	-	-	-	-	5,641,713
Utility fees	-	-	-	-	-	-	39,799,190
Other receipts	290,085	725,581	-	-	2,644,834	405,043	130,543,614
Total receipts	<u>1,476,157</u>	<u>850,959</u>	<u>3,766,046</u>	<u>-</u>	<u>2,644,834</u>	<u>405,043</u>	<u>304,428,826</u>
Disbursements:							
Personal services	499,097	212,929	-	-	-	-	66,012,656
Supplies	443,230	50,396	-	-	-	-	3,978,692
Other services and charges	364,906	442,395	-	-	-	-	28,515,698
Debt service - principal and interest	-	-	-	-	2,440,000	-	37,914,450
Capital outlay	45,533	17,064	2,856,671	-	-	-	46,035,732
Utility operating expenses	-	-	-	-	-	-	29,341,445
Other disbursements	164,980	66,507	-	-	-	405,043	71,719,084
Total disbursements	<u>1,517,746</u>	<u>789,291</u>	<u>2,856,671</u>	<u>-</u>	<u>2,440,000</u>	<u>405,043</u>	<u>283,517,757</u>
Excess (deficiency) of receipts over disbursements	<u>(41,589)</u>	<u>61,668</u>	<u>909,375</u>	<u>-</u>	<u>204,834</u>	<u>-</u>	<u>20,911,069</u>
Cash and investments - ending	<u>\$ 589,358</u>	<u>\$ 315,446</u>	<u>\$ 955,750</u>	<u>\$ 1,250,000</u>	<u>\$ 1,222,376</u>	<u>\$ (98)</u>	<u>\$ 90,190,948</u>

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Peoples Bank	Fire Equipment	\$ 96,303	7/30/2014	1/30/2019
Sanitary District: 1st Source Bank	Vector Truck	<u>74,325</u>	3/15/2011	3/15/2015
Total of annual lease payments		<u>\$ 170,628</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Series 2006 Judgments	\$ 1,410,000	\$ 388,403
General obligation bonds	Series 2008A Judgments	3,125,000	605,703
Revenue bonds	Redevelopment Bonds Series 2006	890,000	133,400
Revenue bonds	Economic Development Bonds Series 2007	24,400,000	2,680,000
Revenue bonds	Series 2012C Economic Development Revenue Bonds	11,210,000	995,800
Revenue bonds	Series 2012A Public Improvement Bonds	14,400,000	3,235,275
Revenue bonds	Series 2013 Munster Steel	2,265,000	-
Notes and loans payable	HUD 108 Series 2006A	<u>1,824,000</u>	<u>420,184</u>
Total governmental activities		<u>59,524,000</u>	<u>8,458,765</u>
Sanitary District:			
General obligation bonds	Series 2013A	52,850,000	2,475,240
General obligation bonds	Series 2007 A	1,395,000	740,126
General obligation bonds	2010 Special Taxing District Bond Series A	8,645,000	734,143
Notes and loans payable	Series 2013 BAN	5,000,000	5,080,485
Notes and loans payable	Series 2007B	16,355,000	899,820
Notes and loans payable	1997 SRF Series A	935,000	207,725
Notes and loans payable	1998 SRF Series A	1,580,000	295,300
Notes and loans payable	2001 SRF A	5,085,000	659,401
Notes and loans payable	2001 SRF B	5,745,000	763,900
Notes and loans payable	Series 2006 A	<u>1,610,000</u>	<u>155,848</u>
Total Sanitary District		<u>99,200,000</u>	<u>12,011,988</u>
Port Authority:			
Revenue bonds	Redevelopment Bonds Series 2008	<u>7,560,000</u>	<u>2,442,550</u>
Totals		<u>\$ 166,284,000</u>	<u>\$ 22,913,303</u>

CITY OF HAMMOND
SCHEDULE OF CAPITAL ASSETS
December 31, 2013

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

	Ending Balance
Governmental activities:	
Land	\$ 78,625,303
Infrastructure	204,295,537
Buildings	48,916,322
Improvements other than buildings	219,347
Machinery, equipment, and vehicles	24,272,006
Construction in progress	55,858,778
Books and other	11,400
Total governmental activities	412,198,693
Sanitary District:	
Land	507,419
Infrastructure	118,527,290
Buildings	58,039,364
Improvements other than buildings	15,734,465
Machinery, equipment, and vehicles	57,920,518
Construction in progress	20,394,846
Total Sanitary District	271,123,902
Water Utility:	
Land	134,466
Infrastructure	81,921,667
Total Water Utility	82,056,133
Port Authority:	
Land	3,544,677
Infrastructure	7,599,962
Buildings	23,365,021
Improvements other than buildings	17,603,547
Machinery, equipment, and vehicles	3,510,668
Construction in progress	2,623,434
Total Port Authority	58,247,309
Total capital assets	\$ 823,626,037

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Hammond's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on CDBG - Entitlement Grants Cluster

As described in items 2013-005, 2013-006, and 2013-007 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding Allowable Costs and Costs Principles, Earmarking, Equipment and Real Property Management, and Reporting that are applicable to its CDBG - Entitlement Grants Cluster. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to the programs.

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

Qualified Opinion on CDBG - Entitlement Grants Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on CDBG - Entitlement Grants Cluster* paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the CDBG - Entitlement Grants Cluster for the year ended December 31, 2013.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-008 and 2013-010. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.


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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-004 and 2013-009 to be material weaknesses.

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

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

May 18, 2015

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Commerce</u>				
Coastal Zone Management Administration Awards	Indiana Department of Natural Resources	11.419	CZ117	\$ 28,726
<u>Department of Housing and Urban Development</u>				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	Direct grant	14.218	B11MC180006	1,447,200
			B12MC180006	1,194,434
Neighborhood Stabilization Program			B08MN180006	24,651
			B11MN180006	728,224
Total - CDBG - Entitlement Grants Cluster				3,394,509
Emergency Solutions Grant Program				
Emergency Solutions Grant Program	Direct grant	14.231	E12MC180006	72,742
			E13MC180006	58,080
Total - Emergency Solutions Grant Program				130,822
Home Investment Partnerships Program				
Home Investment Partnerships Program	Direct grant	14.239	M00MC180204	5,199
HOME 2007			M07MC180204	34,380
HOME 2008			M08MC180204	244,527
HOME 2009			M09MC180204	475,231
HOME 2010			M10MC180204	15,000
HOME 2011			M11MC180204	24,362
HOME 2012			M12MC180204	34,562
Total - Home Investment Partnerships Program				833,261
Fair Housing Assistance Program - State and Local				
Fair Housing Assistance Program	Direct grant	14.401	FF 205 K 135024	15,074
Partnership Funds - Human Relations Outreach			FF 205 K 115024	49,376
Total - Fair Housing Assistance Program - State and Local				64,450
Total - Department of Housing and Urban Development				4,423,042

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

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Justice</u>				
Crime Victim Compensation	Indiana Criminal Justice Institute	16.576	OVC FY12 OVC FY13	1,059 <u>160</u>
Total - Crime Victim Compensation				<u>1,219</u>
Equitable Sharing Program	Direct Grant	16.922	FY 2013	<u>42,084</u>
Total - Department of Justice				<u>43,303</u>
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster Highway Planning and Construction	Indiana Department of Transportation	20.205	DES No. 1297017 DES No. 996587C	61,806 <u>89,554</u>
Total - Highway Planning and Construction Cluster				<u>151,360</u>
Highway Safety Cluster State and Community Highway Safety Operation Pull Over (OPO) Enforcement Program	Indiana Criminal Justice Institute	20.600	PT-11-04-04-23	<u>59,492</u>
Total - Department of Transportation				<u>210,852</u>
<u>Environmental Protection Agency</u>				
Capitalization Grants for Clean Water State Revolving Funds	Indiana Finance Authority	66.458	WW0516452 WW05164503	332,546 <u>7,680,888</u>
Total - Capitalization Grants for Clean Water State Revolving Funds				<u>8,013,434</u>
Beach Monitoring and Notification Program Implementation Grants	Indiana Department of Environmental Management	66.472	EDS #A305-3-90	<u>21,207</u>
Total - Environmental Protection Agency				<u>8,034,641</u>
Total federal awards expended				<u>\$ 12,740,564</u>

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

CITY OF HAMMOND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

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

Note 2. Subrecipients

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

Program Title	Federal CFDA Number	2013
Community Development Block Grants/Entitlement Grants	14.218	\$ 150,870
Emergency Solutions Grant Program	14.231	84,949

CITY OF HAMMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified for the Capitalization Grants for Clean Water State Revolving Funds and Qualified for the CDBG - Entitlement Grants Cluster
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.458	CDBG - Entitlement Grants Cluster Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$382,217

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2013-001 - INTERNAL CONTROLS AND COMPLIANCE OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the City related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

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

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the City to reduce risks to the achievement of financial reporting objectives. The City has not separated incompatible activities related to receipts, disbursements, and cash and investments. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

One person in the Controller's Office is responsible for recording receipts and taking the collections to the depository. There is also one person responsible for generating, recording, and remitting the senior reimbursement disbursements. Journal entries are used to record trust account activity; however, supporting documentation for the entries is not maintained or reviewed for authorization or accuracy. There are also not effective controls over the disbursements recorded in or the reconciliation of the City's Payroll and Withholding fund.

Port Authority: The Finance Director prepares the bank reconciliation. The monthly depository reconciliations are not reviewed for completeness and accuracy.

Hammond Sanitary District:

- The Accounts Receivable Clerk is responsible for preparing the receipts, recording the receipts to the accounting systems, and preparing collections for deposit. The Accounts Receivable Clerk can also adjust bills in the system after they have been posted.
- The Accounts Payable Clerk is responsible for preparing the checks and recording the invoices in the accounting system.
- The Payroll Manager is responsible for the entire payroll process and is able to make payroll rate changes in the computer system.
- The Business Manager prepares the bank reconciliation. The monthly depository reconciliations are not reviewed for completeness and accuracy.

Self-Insurance Disbursements: The City has contracted with a third-party administrator to process medical claims. The Controller's Office records the individual vendor payments in the City's ledger and also mails the checks to the vendors as funds are available in the self-insurance fund. There is no supporting documentation submitted with the checks prepared by the third-party administrator; therefore, the City cannot review the claims for completeness and accuracy. The City has not implemented any other procedures to verify the claims for completeness and accuracy.

2. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statement and then determining how those identified risks should be managed. The City has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements, including notes to the financial statement. In addition, management of the City has not established a process for final review of the financial statement after compilation.

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

The City Controller is responsible for preparing the Annual Financial Report (AFR) and electronically submitting it to the Indiana State Board of Accounts. The AFR is the basis for the City's financial statement. The financial information submitted generated the following discrepancies on the City's financial statement:

- The beginning cash and investment balances reported in the financial statement presented for audit were overstated by \$11,467,299 in total compared to the prior audit ending cash and investment balances.
- The financial statement receipts were understated by \$11,574,303 when compared to the records. This was caused by errors when computing the receipt activity from the accrual basis of accounting to the prescribed regulatory basis for the Sanitary District funds and other errors.
- The financial statement disbursements were understated by \$11,717,965 when compared to the records. This was caused by the omission of recording the disbursement activity of a trust account and errors when computing the disbursements from the accrual basis to the prescribed regulatory basis for the Sanitary District funds and other errors.
- The ending cash and investment balances reported in the financial statement presented for audit were understated by \$11,653,424 in total. This was caused by the numerous errors and omissions addressed in the above items.
- The recorded cash and investment balances did not agree with the reconciled bank and trust balances by \$152,358. The employee who completed the bank reconciliation did not verify the actual trust statement balances to the record balances. The difference between the records and the reconciled bank and trust accounts were caused by trust activity that was not recorded accurately in the ledgers.

Audit adjustments were proposed, accepted by the City Controller, and made to the financial statement.

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

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

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

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

FINDING 2013-002 - PREPARATION OF 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 over 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.

The City has not established controls to effectively identify, manage, and report federal financial assistance. Under the current system, each department independently monitors their grant activities. Grant agreements and requests for advances or reimbursements of federal funds are not always provided to the City Controller. Federal and state grant monitoring reports are prepared by each department based upon the records of grant activities maintained by the departments. The City Controller relies on each department to report their federal assistance activities for use in preparing the SEFA.

The City had initially reported federal expenditures of \$30,138,362, but after auditing the SEFA, federal expenditures were determined to be \$12,740,564; a difference of \$17,397,798. Errors included: the expenditures from 7 federal grants were not reported (\$247,481 understated), total expenditures rather than the federal percentage of expenditures for the projects financed with Capitalization Grants for Clean Water State Revolving Funds were reported (\$16,413,451 overstated), incorrect federal expenditures were reported for federal grants from the Department of Housing and Urban Development (\$1,223,220 overstated), and other miscellaneous errors (net \$8,608 overstated).

Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report.

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

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

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

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

"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:

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

- (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 subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (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 subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

***FINDING 2013-003 - CITY CLERK INTERNAL CONTROLS
OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted deficiencies in the internal control system of the City Clerk related to financial transactions. Control activities should be selected and developed at various levels of the City Clerk's Office to reduce risks to the achievement of financial reporting objectives. The City Clerk has not separated incompatible activities related to receipts, disbursements, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

1. The Senior Staff Accountant is responsible for the recording of all manual receipts, preparing the deposits, and reconciling the monthly depository balances to the records. The monthly depository reconcilements are not reviewed for completeness and accuracy.
2. The Senior Staff Accountant is responsible for all aspects of the disbursement process. The same employee initiates, processes and records disbursements, as well as, performs the monthly depository reconcilements. The Staff Accountant signs the monthly checks, but does not verify those checks to any supporting documentation.

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

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

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-004 - INTERNAL CONTROLS OVER 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: B11MC180006, B12MC180006, B08MN180006, B11MN180006

Management of the City's Department of Planning and Development (Department) and the Redevelopment Commission (Commission) have not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements that have a direct and material effect on the program: Allowable Costs and Cost Principles; Davis-Bacon Act; Equipment and Real Property Management; Matching, Level of Effort, and Earmarking; Period of Availability; Procurement and Suspension and Debarment; Program Income; Reporting; Subrecipient Monitoring; and Special Tests and Provisions. 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 program.

Allowable Costs and Cost Principles

Part of the City's Community Development Block Grants (Entitlement Grants CDBG) funding is for payroll expenditures for administration and program costs. The Department and Commission have not designed controls to ensure compliance with the Allowable Costs and Cost Principles requirements for the CDBG. There are no controls to ensure that payroll expenditures claimed for the CDBG program were supported by the payroll detail, or that timesheets with allocation by program area were available.

Davis-Bacon Act

The Department developed a written manual of policies and procedures to ensure compliance with labor standards, including the Davis-Bacon Act. However, not all of these policies and procedures were followed for CDBG construction projects requiring compliance with the Davis-Bacon Act. Controls were not properly designed to ensure that a review or comparison of the certified weekly payrolls to the applicable prevailing wage rates was properly documented on the payrolls.

Equipment and Real Property Management

Although the Neighborhood Stabilization Program (NSP) Manager tracked the real property purchased and sold from NSP grant funds, reconciliation with the City's official Capital Assets Ledger was not performed during the audit period. In addition, the NSP Manager sent documentation via email to the Controller's Office which detailed the purchase and sale of NSP property; however, no control was in place to ensure that NSP funded asset purchases and sales were properly recorded in the City's Capital Assets Ledger.

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

Matching, Level of Effort, and Earmarking

The City receives NSP funds for the acquisition and rehabilitation of foreclosed and/or vacant residential homes. As part of the Earmarking compliance requirements, 25 percent of the NSP funding is to be used to house individuals or families whose income does not exceed 50 percent of the area median income - low income households (LIH). The NSP Rehab Loan Officer maintained files on the individuals and families who met the LIH requirements and the NSP Manager indicated if a disbursement was for a LIH property. However, there were no controls to ensure that disbursements were encoded as earmarked for LIH, LMMIH (Low, Moderate, and Middle Income Households), or administration in both the City's Ledger and in the HUD Disaster Recovery Grant Reporting (DRGR) System.

Part of the CDBG funding is earmarked for payroll expenditures for administration and program costs. The Department and Commission have not adopted policies and procedures or designed controls to ensure compliance with the earmarking requirements for CDBG, including controls to ensure that disbursements claimed for CDBG and earmarked for payroll expenditures were properly coded for administration and program costs by IDIS (Integrated Disbursement and Information System) number.

Period of Availability

The Department and Commission have not adopted policies and procedures or designed controls to ensure compliance with the CDBG requirements for Period of Availability. There are no controls to ensure that vendor and payroll expenditures claimed for the CDBG program were incurred after the effective date of the grant agreement or meet the six requirements if for pre-award costs prior to the effective date of the grant agreement.

Procurement

The Department and Commission have not adopted policies and procedures or designed controls to ensure compliance with the requirements for Procurement. The Department did not have controls in place to ensure that all construction change orders were approved by the Commission and that the total of all change orders that increase the scope of the project did not exceed 20 percent of the amount of the original contract.

Suspension and Debarment

The Department adopted the following policy for determining whether or not a vendor had been suspended or excluded from doing business with the federal government: "Before executing any contracts equal to or exceeding \$25,000, the City will ensure that the contractor is not suspended or debarred from working on federally-funded contracts by searching the Internet-based System for Award Management (www.sam.gov). The City will document that the selected contractor has not been suspended or debarred by printing out the search screen from the SAM.gov website and including the printout in the project file."

Procedures to monitor or review compliance with the City's established procedures and the federal requirements regarding Suspension and Debarment were not implemented.

Program Income

The City's NSP purchased foreclosed homes with NSP funds. The foreclosed homes were refurbished with NSP funds and then sold. Program income was generated when the previously foreclosed homes were sold. The City did not have effective controls in place to ensure that program income generated from NSP home sales was correctly recorded or monitored.

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

Reporting

The Department and Commission have not designed effective controls to ensure compliance with the Reporting requirements of the program. Controls were not in place to ensure that all required federal reports are submitted and that NSP reports were accurate.

Subrecipient Monitoring

The Department and Commission have not designed effective controls to ensure compliance with the Subrecipient Monitoring requirements of the program. CDBG funds were distributed to various subrecipients and local nonprofit organizations. The Department did not have procedures to monitor subrecipients and to ensure that they obtained an A-133 audit and provided any findings to the Department, when applicable.

Special Tests and Provisions: Citizen Participation

The Department and Commission have not adopted policies and procedures or designed controls to ensure compliance with Citizen Participation requirements. The City prepared a citizen participation plan; however, controls were not in place to ensure the plan had the required elements and the plan was 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. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the City.

We recommended that the City establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect on the program.

FINDING 2013-005 - ALLOWABLE COSTS AND COST PRINCIPLES, EARMARKING

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Numbers: B11MC180006, B12MC180006

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

The City receives Community Development Block Grant (CDBG) funds to develop a viable urban community by providing decent housing, a suitable living environment, and expanded economic opportunities principally for persons of low and moderate income. Noncompliance was noted with the following compliance requirements of the CDBG program:

Allowable Costs and Cost Principles

The City did not comply with the Allowable Costs and Cost Principles requirements of the CDBG program when reimbursement was requested for payroll costs originally disbursed in October 2011 through June 2012. The Department of Housing and Urban Development (HUD) requires that CDBG requests for reimbursement of payroll costs be supported by timesheets allocating employee time by project or general administrative activities.

On March 28, 2013, the City requested reimbursement of \$399,554.97 in payroll costs originally disbursed in October 2011 through June 2012. This was the only voucher in 2013 requesting reimbursement for payroll costs and included both grants B11MC180006 and B12MC180006. The total payroll amounts were supported by timesheets; however, the amounts claimed by project were \$88,671.37 in excess of the supported time allocation documents. The officials requested the amounts by project based upon the budget amounts available and not yet drawn; versus the actual payroll costs with timesheet allocation documentation. See the following table for details of the payroll costs in the request for reimbursement, the timesheet allocation by project supporting documentation, and the variance.

<u>Grant Number and Project Name</u>	<u>Amount Claimed in Voucher (Reimbursement Request)</u>	<u>Supported by Payroll Detail</u>	<u>Variance</u>	<u>Excess Claimed</u>
Grant B11MC180006:				
CDBG Administration	\$ 229,326.74	\$ 209,284.92	\$ 20,041.82	\$ -
Economic Development Program Delivery	-	87,600.67	(87,600.67)	-
Homebound	18,756.95	39,869.47	(21,112.52)	-
Disability Ramp	16,618.00	13,386.52	3,231.48	3,231.48
Emergency Housing Repair	<u>4,894.89</u>	<u>3,704.49</u>	<u>1,190.40</u>	<u>1,190.40</u>
Subtotal for Grant B11MC180006	<u>269,596.58</u>	<u>353,846.07</u>	<u>(84,249.49)</u>	<u>4,421.88</u>
Grant B12MC180006:				
Emergency Housing Repair	10,795.11	-	10,795.11	10,795.11
Façade/Roof Rebate	47,070.00	6,536.05	40,533.95	40,533.95
Project Pride Paint	50,623.63	21,148.93	29,474.70	29,474.70
Day Care	8,974.90	6,258.69	2,716.21	2,716.21
Youth Sports	<u>12,494.75</u>	<u>11,765.23</u>	<u>729.52</u>	<u>729.52</u>
Subtotal for Grant B11MC180006	<u>129,958.39</u>	<u>45,708.90</u>	<u>84,249.49</u>	<u>84,249.49</u>
Totals	<u>\$ 399,554.97</u>	<u>\$ 399,554.97</u>	<u>\$ -</u>	<u>\$88,671.37</u>

The total claimed in excess of the supported payroll detail is composed of \$4,421.88 from grant B11MC180006 and \$84,249.49 from grant B12MC180006. Because the reimbursement request was not supported by actual allocation of time documents, the costs are not allowable and the entire \$88,671.37 is considered questioned costs.

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

Earmarking

The City did not properly encode or earmark the October 2011 through June 2012 actual payroll costs included in the \$399,554.97 request for reimbursement from March 28, 2013, for both grant B11MC180006 and grant B12MC180006. A total of \$217,426.38 was not properly encoded or earmarked. See the following table for the details by project code or earmark.

<u>Grant Number and Project Name</u>	<u>Amount Claimed in Voucher (Reimbursement Request)</u>	<u>Supported by Payroll Detail</u>	<u>Variance</u>	<u>Not Properly Encoded or Earmarked</u>
Grant B11MC180006:				
CDBG Administration	\$ 229,326.74	\$ 209,284.92	\$ 20,041.82	\$ 20,041.82
Economic Development Program Delivery	-	87,600.67	(87,600.67)	87,600.67
Homebound	18,756.95	39,869.47	(21,112.52)	21,112.52
Disability Ramp	16,618.00	13,386.52	3,231.48	3,231.48
Emergency Housing Repair	<u>4,894.89</u>	<u>3,704.49</u>	<u>1,190.40</u>	<u>1,190.40</u>
Subtotal for Grant B11MC180006	<u>269,596.58</u>	<u>353,846.07</u>	<u>(84,249.49)</u>	<u>133,176.89</u>
Grant B12MC180006:				
Emergency Housing Repair	10,795.11	-	10,795.11	10,795.11
Façade/Roof Rebate	47,070.00	6,536.05	40,533.95	40,533.95
Project Pride Paint	50,623.63	21,148.93	29,474.70	29,474.70
Day Care	8,974.90	6,258.69	2,716.21	2,716.21
Youth Sports	<u>12,494.75</u>	<u>11,765.23</u>	<u>729.52</u>	<u>729.52</u>
Subtotal for Grant B11MC180006	<u>129,958.39</u>	<u>45,708.90</u>	<u>84,249.49</u>	<u>84,249.49</u>
Totals	<u>\$ 399,554.97</u>	<u>\$ 399,554.97</u>	<u>\$ -</u>	<u>\$ 217,426.38</u>

OMB Circular A-87, Attachment A, Part C, Basic Guidelines states in part:

- "1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
 - b. Be allocable to Federal awards under the provisions of this Circular.
 - c. Be authorized or not prohibited under State or local laws or regulations.
 - d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
 - e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.

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

- f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
 - g. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles.
 - h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.
 - i. Be the net of all applicable credits.
 - j. Be adequately documented. . . .
3. Allocable costs.
- a. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received. . . ."

24 CFR 570.200(g) states:

"Limitation on planning and administrative costs. No more than 20 percent of the sum of any grant, plus program income, shall be expended for planning and program administrative costs, as defined in §570.205 and §507.206, respectively. Recipients of entitlement grants under subpart D of this part shall conform with this requirement by limiting the amount of CDBG funds obligated for planning plus administration during each program year to an amount no greater than 20 percent of the sum of its entitlement grant made for that program year (if any) plus the program income received by the recipient and its subrecipients (if any) during that program year."

24 CFR 570.206 states in part:

"Payment of reasonable administrative costs and carrying charges related to the planning and execution of community development activities assisted in whole or in part with funds provided under this part and, where applicable, housing activities (described in paragraph (g) of this section) covered in the recipient's housing assistance plan. This does not include staff and overhead costs directly related to carrying out activities eligible under §570.201 through §570.204, since those costs are eligible as part of such activities.

(a) *General management, oversight and coordination.* Reasonable costs of overall program management, coordination, monitoring, and evaluation. Such costs include, but are not necessarily limited to, necessary expenditures for the following:

- (1) Salaries, wages, and related costs of the recipient's staff, the staff of local public agencies, or other staff engaged in program administration. In charging costs to this category the recipient may either include the entire salary, wages, and related costs allocable to the program of each person whose *primary* responsibilities with regard to the program involve program administration assignments, or the pro rata share of the salary, wages, and related costs of each person whose job includes *any* program administration assignments. The recipient may use only one of these methods during the program year (or the grant period for grants under subpart F). . . ."

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

The failure to materially comply with the compliance requirements that have a direct and material effect on the program places the City at risk of not receiving additional federal funding.

We recommended that the City comply with the grant agreement and the compliance requirements listed above.

FINDING 2013-006 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Numbers: B08MN180006, B11MN180006

The City receives Neighborhood Stabilization Program (NSP) funds for the acquisition and rehabilitation of foreclosed and/or vacant residential homes. Of the thirteen NSP real properties sold in 2013, the official City Capital Assets Ledger did not report the federal percentage for twelve properties, incorrectly reported the net sale proceeds (disposal) amounts for two properties, and incorrectly reported the disposal date for one property. The City does not maintain records that adequately identify equipment and other property acquired with federal funds by indicating a federal percentage. Although the City's capital asset accounting software has the capability of separately identifying items acquired with federal funds, this information is not entered into the system.

24 CFR 85.3 states in part:

"Equipment means tangible, nonexpendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A grantee may use its own definition of equipment provided that such definition would at least include all equipment defined above."

24 CFR 85.31 states in part:

"(a) Title. Subject to the obligations and conditions set forth in this section, title to real property acquired under a grant or subgrant will vest upon acquisition in the grantee or subgrantee respectively.

(b) Use. Except as otherwise provided by Federal statutes, real property will be used for the originally authorized purposes as long as needed for that purposes, and the grantee or subgrantee shall not dispose of or encumber its title or other interests. . . ."

24 CFR 85.32 states in part:

"(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. . . ."

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

The failure to materially comply with the compliance requirements over equipment and real property management places the City at risk of not receiving additional federal funding.

We recommended that the City comply with the grant agreement and compliance requirements for Equipment and Real Property Management.

FINDING 2013-007 - REPORTING

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Numbers: B11MC180006, B12MC180006, B08MN180006, B11MN180006

*Community Development Block Grant - Federal Funding
Accountability and Transparency Act Sub-Award Report*

The City was the prime awardee for a Community Development Block Grant (CDBG). As a prime awardee, the City is required to report in the Federal Funding Accountability and Transparency Act (FFATA) Sub-award Reporting System (FSRS) on its sub-grants in accordance with 2 CFR Chapter 1, part 170, Reporting Sub-award and Executive Compensation Information. Prime awardees are required to file a FFATA sub-award report by the end of the month following the month in which the prime awardee awards any sub-grant equal to or greater than \$25,000. In 2013, the City awarded three subgrantees of at least \$25,000 but no FFATA reports were filed in 2013 or 2014.

*Neighborhood Stabilization Program - Quarterly Performance
Reports on the Disaster Recovery Grant Reporting System*

The Department of Housing and Urban Development (HUD) requires online quarterly performance reports through the Community Development Systems, Disaster Recovery Grant Reporting System (DRGR) for the Neighborhood Stabilization Program (NSP) NSP1 and NSP3. A comparison of the disbursement amounts on the quarterly report and the City's ledger revealed that the City's ledger was not used to complete the reports. The total funds expended per the quarterly reports for 2013 totaled \$2,091,804.91; however, the total amount expended for NSP in 2013 per the City's ledgers totaled \$1,682,405.40; a difference of \$409,399.51. The City was unable to provide documentation to reconcile the City ledgers to the amounts filed in the quarterly reports.

2 CFR, Appendix A to Part 170, states in part:

"a. Reporting of first-tier subawards.

1. *Applicability.* Unless you are exempt as provided in paragraph d. of this award term, you must report each action that obligates \$25,000 or more in Federal funds that does not include Recovery funds (as defined in section 1512(a)(2) of the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5) for a subaward to an entity (see definitions in paragraph e. of this award term).
2. *Where and when to report.*
 - i. You must report each obligating action described in paragraph a.1. of this award term to <http://www.fsrs.gov>.

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

ii. For subaward information, report no later than the end of the month following the month in which the obligation was made. (For example, if the obligation was made on November 7, 2010, the obligation must be reported by no later than December 31, 2010.)

3. *What to report.* You must report the information about each obligating action that the submission instructions posted at <http://www.fsrs.gov> specify. . . ."

24 CFR 85.20(b) states in part:

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

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

HUD cannot adequately monitor the grant funds, or adequately assess their needs if reports are not filed or incorrectly completed. No attempt was made to reconcile the City's NSP disbursements ledger to the quarterly reports for HUD. The failure to submit required reports or the submission of inaccurate financial reports could inhibit the City's ability to receive further federal financial assistance.

We recommended that the City prepare accurate and complete reports in accordance with HUD's guidelines.

FINDING 2013-008 - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Numbers: B11MC180006, B12MC180006, B08MN180006, B11MN180006

The City prepared a Summary Schedule of Prior Audit Findings (Schedule) as required by OMB Circular A-133. We reviewed the Schedule and noted that management had not taken corrective action as indicated concerning the following findings from the prior audit:

Finding 2012-004 - Internal Controls Over Compliance Requirements That Have a Direct and Material Effect on the CDBG-Entitlement Grants Cluster

Finding 2012-005 - Noncompliance with Equipment and Real Property Management Requirements of the Community Development Block Grants/Entitlement Grants

Finding 2012-007 - Reporting of Community Development Block Grants/Entitlement Grants

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

City officials indicated in the Schedule that these three findings had been corrected. However, there are current findings for these same three requirements for the 2013 Community Development Block Grants/Entitlement Grants. The City did not comply with these requirements as detailed in the following findings:

Finding 2013-004 - Internal Controls Over Community Development Block Grants/Entitlement Grants

Finding 2013-006 - Equipment and Real Property Management

Finding 2013-007 - Reporting

OMB Circular A-133, Subpart C, Section.315 states in part:

"(a) General. The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee shall prepare a summary schedule of prior audit findings. . . .

(b) Summary schedule of prior audit findings. The summary schedule of prior audit findings shall report the status of all audit findings included in the prior audit's schedule of findings and questioned costs relative to Federal awards. . . .

(2) When audit findings were not corrected or were only partially corrected, the summary schedule shall describe the planned corrective action as well as any partial corrective action taken.

(3) When corrective action taken is significantly different from corrective action previously reported in a corrective action plan or in the Federal agency's or pass-through entity's management decision, the summary schedule shall provide an explanation. . . ."

The failure to comply with the compliance requirement concerning the Schedule places the City at risk of not receiving additional federal funding.

We recommended that officials review any corrective action listed to ensure an accurate Schedule is prepared.

FINDING 2013-009 - INTERNAL CONTROLS OVER CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING FUNDS

Federal Agency: Environmental Protection Agency
Federal Program: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458
Federal Award Numbers: WW0516452, WW05164503
Pass-Through Entity: Indiana Finance Authority

Management of the City's Sanitary District has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Davis-Bacon Act and Suspension and Debarment compliance requirements that have a direct and material effect on the program.

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

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 program.

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.

Davis-Bacon Act

The Sanitary District did not have controls in place to ensure that the Davis-Bacon Act requirements were included in all the required contracts for the projects financed with the grant. In addition, for some projects, a consultant was hired by the state to monitor compliance with the Davis-Bacon Act labor standards. The Sanitary District did not have procedures in place to monitor the work of the consultant to ensure compliance with the Davis-Bacon Act requirements.

Suspension and Debarment

The Sanitary District was not aware of the Suspension and Debarment requirements; however, the Consulting Engineer was aware of Suspension and Debarment requirements. The Sanitary District has not implemented adequate review or oversight to ensure compliance with these requirements.

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. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended that the City establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

FINDING 2013-010 - DAVIS-BACON ACT

Federal Agency: Environmental Protection Agency
Federal Program: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458
Federal Award Numbers: WW0516452, WW05164503
Pass-Through Entity: Indiana Finance Authority

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

Upon inspection of the contracts awarded in 2013 and inquiry with the Consulting Engineer and Sanitary District personnel, it was discovered that the one contract that was procured through the bidding process had a prevailing wage clause in the bid documents. However, two projects that were procured through allowable special purchasing methods did not include the prevailing wage clause in the contract. Furthermore, one contractor that performed work in 2013 did not submit weekly certified payroll to the Sanitary District.

40 CFR 31.40(a) states in part:

"Monitoring by grantees. Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

40 CFR 31.36(i) states in part:

"Contract provisions. A grantee's and subgrantee's contracts must contain provisions in paragraph (i) of this section. Federal agencies are permitted to require changes, remedies, changed conditions, access and records retention, suspension of work, and other clauses approved by the Office of Federal Procurement Policy. . . .

- (5) Compliance with the Davis-Bacon Act (40 U.S.C. 276a to 276a-7) as supplemented by Department of Labor regulations (29 CFR part 5). (Construction contracts in excess of \$2000 awarded by grantees and subgrantees when required by Federal grant program legislation)."

29 CFR 5.5 states in part:

"(a) The Agency head shall cause or require the contracting officer to insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in §5.1, the following clauses (or any modifications thereof to meet the particular needs of the agency, *Provided*, That such modifications are first approved by the Department of Labor): . . .

- (3) *Payrolls and basic records.*

- (i) Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work and preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work (or under the United States Housing Act of 1937, or under the Housing Act of 1949, in the construction or development of the project. . . .

- (ii)(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). . . .

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

(B) Each payroll submitted shall be accompanied by a 'Statement of Compliance,' signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract . . ."

Failure to comply with Davis-Bacon Act requirements could result in the loss of federal funds to the Sanitary District.

We recommended that officials comply with the Davis-Bacon Act requirements that have a direct and material effect on the program.

AUDITEE PREPARED DOCUMENTS

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



Thomas M. McDermott, Jr.
Mayor

DEPARTMENT OF PLANNING AND DEVELOPMENT
CITY OF HAMMOND

PHIL TAILLON
Executive Director

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-04: Internal Controls Over Compliance Requirements That Have a Direct and Material Effect on the CDBG-Entitlement Grant Cluster

SBA Audit Report Number:
Report Period: January 1, 2012 to December 31, 2012
Federal Grantor Agency: US Department of Housing and Urban Development (HUD)
Contact for Corrective Action: Phil Taillon, Executive Director Planning & Community Development
Contact Phone Number: 219-853-6508

Status of Audit Finding:

Cash Management Finding:

"The City Department of Planning and Development receives CDBG grant funds in advance of expenditure; however, they do not have controls in place to monitor cash balances to ensure that funds are only drawn as need to cover current expenditures. There is no documentation of any oversight of the funds requested in relation to the cash balance on hand."

Cash Management Corrective Action:

The Department has had the following process in place that ensures adequate internal control to monitor cash balances and to ensure funds are only drawn to cover current expenditures:

1. Income is receipted by Finance Clerk and tracked by the Finance Manager in Department-level ledgers. Actual cash is receipted by Controller's office and tracked in the General Ledger. Finance Manager maintains ledgers on all program income and cash balances and reconciles these ledgers with the Controller's office on a regular basis.
2. Expenditures (claims) are reviewed and approved by multiple staff, including the program planner and Executive Director, before the Finance Manager prepares the claim for review and approval by the Redevelopment Commission.
3. When paying claims, all cash on hand is netted out of disbursements to ensure any cash on hand is substantially disbursed before withdrawing funds from Treasury. **This process was in place during the 2012 audit and has not changed.**

4. Upon receipt of federal reimbursement, the Controller transfers funds, and verifies enough money was drawn to cover expenditures.

Davis Bacon Finding:

“The Department developed a manual of policies and procedures for compliance with labor standards. However, not all of these policies or procedures were followed in administering the CDBG program. There was no evidence of a review or comparison of certified weekly payrolls to applicable prevailing wages by the grant administrator or other personnel. There was also no evidence of review or oversight of compliance with these requirements.

Davis Bacon Corrective Action:

The City was monitored in 2011 by a HUD Labor Standards Specialist. As a result, HUD helped the City develop a compliance manual. Per the manual, the City of Hammond staff established the correct prevailing wages and reviewed the weekly certified payroll documentation on employees as part of paying a claim. The City has supporting documentation for the Transitional Housing Development that took place in 2012.

Period of Availability Finding:

“The Department has not established controls to ensure federal funds are used only during the authorized period of availability. Management does not review the timing of program expenditures to ensure that funds are expended or obligated during the grant period.”

A-133 2012 Compliance Supplement:

“For entitlements for CDBG-R funds, **HUD has waived the CDBG program’s timely expenditure regulatory requirements of 24 CFR section 570.902 to the extent that CDBG-R funds must be expended by September 30, 2012.** These funds will not be included in determining compliance with the timely expenditure compliance requirements of 24 CFR section 570.902. However, income generated from CDBG-R activities will be treated as program income to grantees’ regular CDBG programs, and thus will be included in timely expenditure compliance determinations (see III.J.4 below) (CDBG-R Notice, Section II.F.).

Period of Availability Corrective Action:

The Department did not have formal, established controls in place to ensure CDBG-R funds are used only during the authorized period of availability because the urgency of the program (HUD wanted to fund “shovel-ready” projects) and one-time nature of the CDBG-R grant. Given the nature of the program, the Executive Director monitored CDBG-R expenditures on a regular basis.

Per the A-133 supplement cited above, expenditures would be

considered timely to the extent funds were expended by September 30, 2012. The City has supporting documentation showing all CDBG-R expenditures were processed within 9 months of the program (by March 2011), well before the deadline given in the A-133 supplement. The documentation is similar to that used by the Executive Director at the time to monitor CDBG-R expenditures on a regular basis.

Equipment and Real Property Management Finding:

Discussion of this item is discussed in detail in Finding 2012-05. Please refer to that finding.

Suspension and Debarment Finding:

"The Department does not have a policy or standard procedure in place for determining whether or not a vendor has been suspended or excluded from doing business with the federal government. Records were not maintained to document if the Department researched vendors and whether or not they were suspended or debarred".

Suspension and Debarment Corrective Action:

The Department's procurement policy includes the following review step for debarred contractors: "Is the grantee ensuring that its awards are not made to any party on the General Services Administration's List of Parties Excluded From Federal Procurement or Non-Procurement Programs?"

The City has supporting documentation from project files that this review was done.

Subrecipient Monitoring Finding:

Discussion of this item is discussed in detail in Finding 2012-06. Please refer to that finding.

FINDING 2012-05: Noncompliance with Equipment and Real Property Management Requirements

SBA Audit Report Number:

Report Period:

January 1, 2012 to December 31, 2012

Federal Grantor Agency:

US Department of Housing and Urban Development (HUD)

Contact for Corrective Action:

Phil Taillon, Executive Director Planning & Community Development

Contact Phone Number:

219-853-6508

Status of Audit Finding:

Language from Finding 2012-04 pertinent to Equipment and Real Property Management:

"The City of Hammond has not designed or implemented adequate policies or procedures to account for and safeguard assets purchased with federal funds. The City does not maintain adequate records that identify equipment and other property acquired with federal funds. The

financial accounting software is not integrated with the software used to account for capital assets. All assets purchased and charged to asset accounts have to be separately recorded in the capital asset program which allows for errors to occur. In addition, those assets purchased with federal funds were not identified as such.

Although the Neighborhood Stabilization Program (NSP) Director tracks the real property purchased and sold from NSP grant funds, an annual reconciliation with the City's official capital assets records is not performed. In addition, there is no review to ensure that NSP funded asset purchases and sales are properly recorded in the City's capital asset records".

2012-05 Finding:

"The City sold 11 of these [NSP] homes in 2012; however, 7 of the homes sold were not removed from the City's capital asset records as of December 31, 2012.

The City does not maintain records that adequately identify equipment and other property acquired with federal funds. Although the City's capital asset accounting software has the capability of separately identifying items acquired with federal funds, this information is not entered into the system. "

Equipment and Real Property Management Corrective Action:

The Department disputes that it did not maintain records adequately to identify equipment and other property acquired with federal funds while acknowledging it was untimely in reconciling Department-level records with the City-wide capital assets records.

In response to the monitoring, the NSP Director began reviewing the Capital Assets ledger on a periodic basis and sending email requests to the Controller's office when the Capital Assets ledger needed correction. The NSP Manager notifies the City's Controller's Office via email and copying Planning and Development Management of each sale or acquisition of a NSP home. A standardized format is utilized stating the property address, the fund from which funds were drawn for its acquisition, the acquisition price, the sale price (both full and Net), and the appropriate property ID Number. This has been in place since at least May 2014.

As of April 25, 2014, the Controller's records was properly reconciled with the Department's records.

FINDING 2012-06: Subrecipient Monitoring of CDBG Grants

SBA Audit Report Number:

Report Period:

January 1, 2012 to December 31, 2012

Federal Grantor Agency: US Department of Housing and Urban Development (HUD)
Contact for Corrective Action: Phil Taillon, Executive Director Planning & Community Development
Contact Phone Number: 219-853-6508

Status of Audit Finding: **Finding:**
"The City could not produce any supporting documentation that it had complied with subrecipient monitoring requirements. For example, there was no evidence of site visits, regular contact with the subrecipients, or verification of subrecipient performance reporting which would report how low and moderate income clientele benefited from CDBG funds".

A-133 Compliance Supplement Language:

"Before disbursing any CDBG or CDBG-R funds to a subrecipient, the recipient shall sign a written agreement with the subrecipient. The agreement shall include provisions concerning: the statement of work, records and reports, program income and uniform administrative requirements (24 CFR section 570.503).

Corrective Action:

The Department disputes this finding and has supporting documentation showing that subrecipient monitoring took place for PY2012.

City of Hammond conducts both desk monitoring and onsite monitoring of its CDBG-funded subrecipients. Each pay claim and performance report is thoroughly reviewed before payment is made, per the City's written procedures. Staff performs site visits to review financial and programmatic records and observes operations, offering technical assistance where needed. Staff has maintained a system to track and follow-up on any deficiencies and recommends correctively actions if necessary.

FINDING 2012-07: NSP Reporting

SBA Audit Report Number:
Report Period: January 1, 2012 to December 31, 2012
Federal Grantor Agency: US Department of Housing and Urban Development (HUD)
Contact for Corrective Action: Phil Taillon, Executive Director Planning & Community Development
Contact Phone Number: 219-853-6508

Status of Audit Finding: **Finding:**
Regarding NSP, the reported amounts for the four quarters did not agree with amounts recorded in the City's ledger. The City's ledger was not used to complete the reports; it was not clear what documentation or records were used.

Corrective Action:

The Finance Manager completed a reconciliation of the Department's NSP Financial Records (Revenues, Draws, and Expenditures) as reported on DRGR Quarterly Performance Reports to those amounts and records as provided by the City of Hammond Controller's Office. The reconciliation noted a number of NSP transactions which were reported as expenses and paid through the City's records without having the benefit of funds drawn from the NSP 1 Grant (B-10-OMN-18-0006) via the DRGR system. The reconciliation indicated that the NSP 1 Activity

Number NSP 2.1 had a Total of \$157,324.29 reported as being expensed without the benefit of DRGR draws and NSP 1 Activity Number NSP 5.1 had a Total of \$67,715.66 reported as being expensed without the benefit of DRGR draws. The discrepancy amounts for the two Activities totaled \$225,039.95. At the time of the reconciliation the City of Hammond NSP 1 Grant (including all Program Income) was fully drawn. A note was made in the DRGR System in the QPR I 2014 stating the difference, its cause(s) and the corrective action to be taken. The corrective action to be taken is to draw funds on Program Income as it is received to offset those funds previously expensed and paid without the benefit of draws.

In order to prevent any future occurrences, the NSP Manger will obtain from the Finance Department copies of all future draws and related expenditure reports as they are completed. The accounts will be reconciled on a quarterly basis, at minimum, to insure the DRGR reports balance to the City Controller's Office's accounts and records. Any discrepancies in the reconciliation of the accounts will be noted in the DRGR reporting system.

Due to the draw oversights, the NSP1 DRGR QPRs, as well as the Weekly Drawdown and Commitment Reports, as provided by HUD, reported \$225,039.95 less in Drawdown amounts through the period ending 12/31/13.

In addition to the Expense/Drawdown issue, the Finance Department, in its reconciliation, also noted that 2 draws were corrected as follows: a) a NSP 2.1 draw was originally entered as \$138.23 and was corrected to \$77.14, and b) a NSP 5.1 draw was originally entered as \$229.58 and was corrected to \$79.34 for a total correction adjustment of \$211.33.

Corrective Action has been completed. Per correspondence of HUD dated October 14, 2014: The supporting documentation by the City of Hammond adequately documents the steps outlined in previous correspondence and is in place and being followed. The finding is now resolved.

FINDING 2012-11: Internal Controls - EECBG

SBA Audit Report Number:
Report Period: January 1, 2012 to December 31, 2012
Federal Grantor Agency: US Department of Energy
Contact for Corrective Action: Phil Taillon, Executive Director Planning & Community Development
Contact Phone Number: 219-853-6508

Status of Audit Finding: **Finding:**
"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 ... for Allowable Costs, the Davis-Bacon Act, Period of Availability, and Reporting."

Corrective Action:
The Department disputes the finding of lack of effective internal controls,

including segregation of duties, unallowed costs and those related to Davis Bacon standards as the City has records showing all costs were allowed and labor standard were followed.

In terms of segregation of duties, the Economic Development Director was responsible for the day to day administration of the EECBG program. The Executive Director played an active role in assisting the Economic Development Director throughout the period of the grant. The Redevelopment Commission provided additional review. All claims were first processed by the Economic Development Director, reviewed by the Executive Director, and processed by both the Department Finance Clerk and Department Financial Manager before the claim was processed by the Controller's office.

The City attempted to use the EECBG reporting systems to the best of its ability with no training resources and only ad-hoc guidance from EECBG grant advisors, which led to corrected versions of each report. All corrective action has been completed. The EECBG grant has been closed. No further action is warranted as the Department of Energy is not currently following up.

FINDING 2012-12: Allowable Costs - EECBG

SBA Audit Report Number:
Report Period: January 1, 2012 to December 31, 2012
Federal Grantor Agency: US Department of Energy
Contact for Corrective Action: Phil Taillon, Executive Director Planning & Community Development
Contact Phone Number: 219-853-6508

Status of Audit Finding: **Finding:**
The City requested and received reimbursement of \$19,305.85 in fringe benefits related to the salaries of the grant administrator ... However, the Special Terms and Conditions for the EECBG prohibit the reimbursement of fringe benefits.

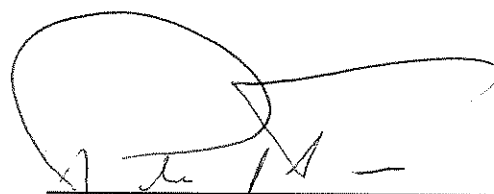
Corrective Action:
While the costs of fringe benefits was initially unallowed per the terms of the Special Terms and Conditions. Over the course of the grant, the Department of Energy issued six different versions of the Assistance Agreement form. The City was told by representatives of the Department of Energy that the Special Terms and Conditions could be amended to allow fringe benefit costs. This was to be done as part of the final closeout. All corrective action has been completed. Therefore the City submitted a request for fringe benefits with the expectation that the Department of Energy would process the request once the amendment had been made. The EECBG grant has been closed. No further action is warranted as the Department of Energy is not currently following up.

FINDING 2012-13: Reporting Requirements - EECBG

SBA Audit Report Number:
Report Period: January 1, 2012 to December 31, 2012

Federal Grantor Agency: US Department of Energy
Contact for Corrective Action: Phil Taillon, Executive Director Planning & Community Development
Contact Phone Number: 219-853-6508

Status of Audit Finding: All required reports were corrected and submitted. Corrective Action has been completed. The EECBG grant has been closed. No further action is warranted as the Department of Energy is not currently following up.



(Signature)

Executive Director

(Title)

2 / 3 / 2015

(Date)

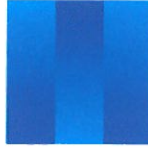
(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b).)

SANITARY DISTRICT of HAMMOND

5143 COLUMBIA AVENUE
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FAX (219) 853-6321

Board of Sanitary Commissioners

STANLEY J. DOSTATNI
SAM DIMOPOULOS
MICHAEL HAWKINS, SR.
MATTHEW J. MUTA
MICHAEL DYE



MARTY WIELGOS
District Manager
RACHEL MONTES
Business Manager
JOSEPH P. ALLEGRETTI
Legal Counsel

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-8

Original Assigned SBA Audit Report Number: B42998
Report Period: January 1, 2012 – December 31, 2012
Pass-Through Entity or Federal Grantor Agency: Environmental Protection Agency
Contact Person Responsible for Corrective Action: Rachel Montes
Contact Phone Number: 219-853-6413 Ext. 503

Status of Audit Finding:

Equipment and Real Property Management

The District's has not made any changes to the recording of fixed assets. The District hopes to invest in a new accounting software in the future that will integrate the accounting system with the fixed asset module.

Procurement, Suspension and Debarment

Procurement

The District's Assistant Director of Operations receives the project change orders. He verifies that the change order does not increase the project bid amount by 20% or more. Once this is verified, a change order resolution is written and reviewed by the Board of Commissioners before approval at the monthly public board meeting.

Suspension and Debarment

The District does not verify that contractors are not suspended or debarred in the year 2013. As of today, all contractors will be verified on sam.gov.

Rachel Montes
(Signature)

Business Manager
(Title)

1/22/15
(Date)

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

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MICHAEL DYE



MARTY WIELGOS
District Manager
RACHEL MONTES
Business Manager
JOSEPH P. ALLEGRETTI
Legal Counsel

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-09

Original Assigned SBA Audit Report Number: B42998
Report Period: January 1, 2012 – December 31, 2012
Pass-Through Entity or Federal Grantor Agency: Environmental Protection Agency
Contact Person Responsible for Corrective Action: Rachel Montes
Contact Phone Number: 219-853-6413 Ext. 503

Status of Audit Finding:

The District records all equipment and real property purchased with Capitalization Grants for Clean Water State Revolving Funds with all corresponding information such as serial numbers and storage location on a spreadsheet. A physical inventory of the property will be taken and results reconciled with the property records at least every two years.

Rachel Montes
(Signature)

Business Manager
(Title)

1/15/15
(Date)

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

SANITARY DISTRICT of HAMMOND

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MICHAEL DYE



MARTY WIELGOS
District Manager
RACHEL MONTES
Business Manager
JOSEPH P. ALLEGRETTI
Legal Counsel

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-10

Original Assigned SBA Audit Report Number: B42998
Report Period: January 1, 2012 – December 31, 2012
Pass-Through Entity or Federal Grantor Agency: Environmental Protection Agency
Contact Person Responsible for Corrective Action: Rachel Montes
Contact Phone Number: 219-853-6413 Ext. 503

Status of Audit Finding:

The District presents all change orders to the Board of Commissioners for approval. The District administrators and attorney oversee that the change orders do not exceed 20 percent of the contract.

Rachel Montes
(Signature)

Business Manager
(Title)

1/15/15
(Date)

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



Heather Garay, J.D.
Controller

CITY OF HAMMOND

May 22, 2015

CORRECTIVE ACTION PLAN

FINDING 2013 - 001 - INTERNAL CONTROLS AND COMPLIANCE OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Heather Garay, Controller
Contact Phone Number: 219-853-6324

Corrective Action:

1. Lack of Segregation of Duties:

a. Controller's Office:

- i. The City will put in place controls to separate incompatible activities related to receipts and disbursements. The task of taking the collections to the depository will be performed by an employee who is not responsible for recording receipts. Senior reimbursement disbursements will be reviewed and remitted by an employee who does not generate the claim. Documentation for trust account activity will be attached to monthly journal entry printouts to be reviewed and signed by the Controller. The Deputy Controller will cross check and sign final payroll registers and current electronic fund transfers for the payroll withholding fund ran by the payroll clerk.

Anticipated Completion Date: 7/1/2015

b. Port Authority:

- i. See attached Corrective Action Plan prepared by department.

c. Hammond Sanitary District:

- i. See attached Corrective Action Plan prepared by department.

d. Self-Insurance Disbursements:

- i. The City's third-party administrator does provide supporting documentation with the checks. Each check has an explanation of benefits and payment detail attached. The third-party administrator also provides a check register with each batch of checks. The explanation of benefits and payment detail is sent to the provider with the check. Going forward, the City will test 10% of checks in each batch by reviewing the explanation of benefits and check amount for accuracy. A copy of the explanation of benefits and payment detail will be signed and retained for tested checks.

Anticipated Completion Date: 7/1/2015

City of Hammond
Controller's Office
5925 Calumet Avenue
Hammond, Indiana 46320

219.853.6324
fax: 219.853.6345
www.gohammond.com

e-mail: garayh@gohammond.com




Heather Garay, J.D.
Controller

CITY OF HAMMOND

2. Preparing Financial Statements:

- a. The City will design effective controls over the preparation of the financial statement and established a process for final review of the financial statement after compilation. The City Controller will grant editing rights to the Port Authority, Sanitary District and Water Department for each department's respective funds in the Indiana Gateway. Each department will submit back-up documentation for their financial reporting, including conversions from accrual to cash, to the Controller for review. The Deputy Controller will review all entries of the City, Port Authority, Sanitary District and Water Department before final submission by the Controller. The employee completing the bank reconciliation will verify the actual trust statement balances to the record balances. This will be reviewed and signed by the Controller. The Controller will have access to each entity's financial software systems to better assist in the preparation of the financial statement.

Anticipated Completion Date: 8/1/2015



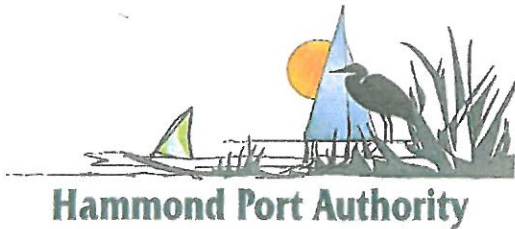
Heather Garay, Controller



Date

City of Hammond
Controller's Office
5925 Calumet Avenue
Hammond, Indiana 46320

219.853.6324
fax: 219.853.6345
www.gohammond.com



Hammond Port Authority
701 Casino Center Drive
Hammond, IN 46320
219-659-7678 • 219-659-7679 (Fax)

Hammond Marina • Lost Marsh Golf Course • Wolf Lake Memorial Park • Forsythe Park • Lakefront

CORRECTIVE ACTION PLAN

FINDING 2013 – 001

Richard Szany, Port Authority Finance Director

1-219-659-7678

Description of Corrective Action Plan:

The Finance Director prepares the bank reconciliation on a monthly basis. The Port Authority Director will review the monthly bank reconciliation with the Finance Director for completeness and accuracy.

Anticipated Completion Date: December 2014

Richard Szany
(Signature)

HPA FINANCE DIRECTOR
(Title)

MAY 15, 2015
(Date)

SANITARY DISTRICT of HAMMOND

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District Manager
RACHEL MONTES
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JOSEPH P. ALLEGRETTI
Legal Counsel

May 15, 2015

CORRECTIVE ACTION PLAN

FINDING NO. 2013-001

Section II – Financial Statement Findings

Auditee Contact Person: Marty Wielgos, District Manager

Contact Phone Number: 219-853-6413

Expected Completion Date: 12/31/15

Corrective Action:

Internal Controls and Compliance Over Financial Transactions and Reporting

Lack of Segregation of Duties

1. In an effort to segregate the Accounts Receivable clerk's duties, as of 6/1/2015, a different employee will receive the physical checks and prepare the physical deposit. The Accounts Receivable Clerk will receive a copy of the deposited checks and enter the payments accordingly. On 1/1/15, the Business Manager established an Accounts Receivable reconciliation process to ensure that all deposits are recorded. This reconciliation is completed after the period has been closed and the Account Receivable Clerk cannot make any changes to that period.
2. On 1/1/15, the Business Manager established an Accounts Payable reconciliation process to help ensure that only Board approved claims and claims authorized to be paid prior to Board approval as permitted in Resolution 76-2000 and 34-2004 are paid. This reconciliation is completed after the period has been closed and the Account Payable Clerk cannot make any changes to that period.
3. In an effort to segregate the Payroll Clerk's duties, the Business Manager will continue to review the biweekly payroll for inaccuracies as has been done in the past. Beginning on 5/22/15, the District Manager or a person the District Manager designates, will select a series of timesheets to physically review to ensure the accuracy of the payroll register. On 1/1/15, the Business Manager established a Payroll reconciliation process to ensure that all payroll checks issued are recorded. This reconciliation is completed after the period has been closed and the Payroll Clerk cannot make any changes to that period.
4. In an effort to review the Business Manager's bank reconciliation, as of 2/10/15, the Board has been approving the Business Manager's bank reconciliation reports.

Beginning 6/1/15, the District Manager will review the bank statements and the Business Manager's bank reconciliation records for completeness and accuracy.

Marty F. Wilson *5/15/15*

Official's Signature

District Manager



Heather Garay, J.D.
Controller

CITY OF HAMMOND

May 22, 2015

CORRECTIVE ACTION PLAN

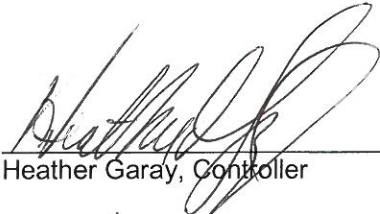
FINDING 2013 - 002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Heather Garay, Controller
Contact Phone Number: 219-853-6324

Corrective Action:

The Controller will work with departments to establish a comprehensive reporting of all federal awards. The Schedule of Expenditures of Federal Awards will be reviewed and signed by the department head and Controller before final submission.

Anticipated Completion Date: 8/1/2015



Heather Garay, Controller



Date

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Controller's Office
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219.853.6324
fax: 219.853.6345
www.gohammond.com

e-mail: garayh@gohammond.com



City of Hammond
ROBERT J. GOLEC
City Clerk

CORRECTIVE ACTION PLAN

FINDING 2013-003 CITY CLERK INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Robert J. Golec, Hammond City Clerk
Contact Phone Number: 219-853-6346

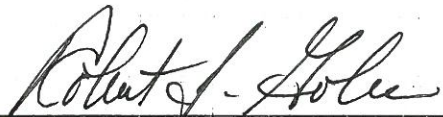
The following internal controls have been in place before this audit began.

- o All bond money is collected by one employee and receipted by another.
- o All cash bond money is deposited separately and is verified against the Hammond Police Department ledger.
- o All daily receipting involves two employees: one to collect the money and one to receipt.
- o All monies/receipts collected are verified and initialed on end of the day balance sheet.
- o All daily receipts are verified and initialed against end of the day balance sheet.
- o All daily transactions are deposited and verified against end of day balance sheet.
- o The Clerk sends monthly totals (beginning cash balance, receipts for the month, disbursement and ending balance) to the City Controller.
- o Any adjustments made are documented and verified by two employees.

Description of Corrective Action Plan:

- Everything from end-of-the day balancing, recording receipts, preparing and recording daily deposits, disbursing checks and reconciling monthly deposits, is completed and verified for completeness and accuracy by two employees.

Anticipated Completion Date: The plan has already been activated.


(Signature)

Hammond City Clerk
May 18, 2015



Thomas M. McDermott, Jr.
Mayor

DEPARTMENT OF PLANNING AND DEVELOPMENT
CITY OF HAMMOND

PHIL TAILLON
Executive Director

CORRECTIVE ACTION PLAN

FINDING 2013-004 – INTERNAL CONTROLS OVER COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS

Contact Person Responsible for Corrective Action: Phil Taillon
Contact Phone Number: (219) 853-6508 Ext. 8

The action plan related to this finding is detailed into the following sections:

- A. Allowable Costs and Cost Principles
- B. Davis-Bacon Act
- C. Equipment and Real Property Management
- D. Matching, Level of Effort, and Earmarking
- E. Period of Availability
- F. Procurement
- G. Suspension and Debarment
- H. Program Income
- I. Reporting
- J. Subrecipient Monitoring
- K. Special Tests and Provisions: Citizen Participation

FINDING: A. Allowable Costs and Cost Principles

The Department and Commission have not designed controls to ensure compliance with the allowable costs and cost principles requirements for CDBG. There are no controls to ensure that payroll expenditures claimed for CDBG were supported by the payroll detail, or that time sheets with allocation by program area were available.

Description of Corrective Action Plan

The City disputes this finding. The Finance Manager has records and documentation that shows ample internal control, documentation of payroll expenditures, and timesheets with allocations by program area.

The City develops a CDBG budget on an annual basis which is approved by the Community Development Manager, the Executive Director of Planning and Community Development, and the City Council as part of the Annual Action Plan that is submitted and ultimately approved by HUD.

The City incurs the cost of payroll and fringe benefits of all Department staff based on approval of the Executive Director.

All Department staff who charge time to CDBG are required to keep a timesheet that tracks time to specific cost objectives. These timesheets are collected and reviewed by the Executive Director and the Departmental Finance Manager.

To reimburse the City for personnel charged to CDBG, the Departmental develops a spreadsheet that tracks the loaded hourly rate of each staff person based on the person's annual salary and fringe benefits. Using the reviewed timesheets, the total cost for the staff person is allocated to each cost objective. As part of the reimbursement process, the reimbursement request is prepared by the Finance Manager and reviewed and approved by the Executive Director.

Going forward, the City will develop and adopt written procedures that document the existing procedures and controls currently in place.

Anticipated Completion Date: June 1, 2015.

FINDING: B. Equipment and Real Property Management

Although the Neighborhood Stabilization Program (NSP) Manager tracked the real property purchased and sold from NSP grant funds, reconciliation with the City's official Capital Assets Ledger was not performed during the audit period. In addition, although the NSP Manager sent email documentation to the Controller's office which detailed the purchase and sale of NSP property, no review was performed to ensure that NSP funded asset purchases and sales were properly recorded in the City's Capital Assets Ledger.

Description of Corrective Action Plan

In response to the previous monitoring, the Housing Manager began reviewing the Capital Assets ledger on a periodic basis and sending email requests to the Controller's office when the Capital Assets ledger needed correction. The NSP Manager notifies the City's Controller's Office via email and copying Planning and Development Management of each sale or acquisition of a NSP home. A standardized format is utilized stating the property address, the fund from which funds were drawn for its acquisition, the acquisition price, the sale price (both full and Net), and the appropriate property ID Number. As of April 25, 2014, the Controller's records was properly reconciled with the Department's records.

Going forward, the Community Development Director and Finance Manager, will include a review of the Capital Assets Ledger as part of the quarterly reporting process in DRGR. All requests for updates to the Controller's office and a current copy of the Capital Assets ledger will be filed as attachments to the NSP quarterly reports.

Anticipated Completion Date: April 25, 2014. The new process of verifying the Capital Assets Ledger as part of the QPR preparation was first done in April 2015.

FINDING: C. Matching, Level of Effort, and Earmarking

25% of NSP funding is earmarked for families whose income does not exceed 50% of the area median income - low income households (LIH). The NSP Rehab Loan Officer maintained files on the individuals and families who met the LIH requirements and the NSP Manager indicated if a disbursement was for a LIH property. However, there were no controls to ensure that disbursements were recorded as

earmarked for LIH, LMMIH (Low, Moderate, and Middle Income Households), or administration in both the City's Ledger and in the HUD Disaster Recovery Grant Reporting (DRGR) System.

Part of the CDBG funding is earmarked for payroll expenditures for administration and program costs. The Department and Commission have not adopted policies and procedures or designed controls to ensure compliance with the earmarking requirements for CDBG, including controls to ensure that disbursements claimed for CDBG and earmarked for payroll expenditures were properly coded for administration and program costs by IDIS (Integrated Disbursement and Information System) number.

Description of Corrective Action Plan

The City disputes this finding. The very structure of the DRGR system forces the City to budget and allocate funds to activities based on their national objective. The system contains a national objective that specifically tracks the budgeted and expended amount for the 25% set-aside for low income beneficiaries. This is the control that ensures disbursements were recorded and earmarked for LIH, LMMIH, and administration. There is no requirement to track this level of programmatic detail in the City's General Ledger. ATTACHMENT #1 is one example of a DRGR report that shows how DRGR collects and tracks the set-aside.

As to the claim that there are no controls in place so that payroll expenditures were properly coded for administration and program costs by IDIS number, the City uses DRGR, not IDIS, to reimburse NSP expenditures. Further, the City does not charge program delivery costs for NSP, only administrative costs. Time allocated to NSP administration is collected on weekly timesheets. To reimburse the City for personnel charged to NSP, the Departmental develops a spreadsheet that tracks the loaded hourly rate of each staff person based on the person's annual salary and fringe benefits. Using the reviewed timesheets, the total cost for the staff person is allocated to each cost objective. As part of the reimbursement process in DRGR, the reimbursement request is prepared by the Finance Manager and reviewed and approved by the Community Development Director.

Going forward, the City will develop and adopt a written procedure that clarifies the existing process and provides for documentation of the existing internal control.

Anticipated Completion Date: June 1, 2015.

FINDING: D. Period of Availability

The Department and Commission have not adopted policies and procedures or designed controls to ensure compliance with the CDBG requirements for period of availability. There are no controls to ensure that vendor and payroll expenditures claimed for CDBG were incurred after the effective date of the grant agreement or meet the six requirements if for pre-award costs prior to the effective date of the grant agreement.

Description of Corrective Action Plan

The City disputes this finding. Based on the CDBG regulations, the City is allowed to incur costs prior to the effective date of the grant agreement provided the following:

- The activity for which the costs are being incurred is included in a consolidated plan and action plan;

- citizens are advised of the extent to which these pre-award costs will affect future grants;
- the costs and activities funded are in compliance with the requirements of this part and with the Environmental Review Procedures stated in 24 CFR part 58;
- the activity for which payment is being made complies with the statutory and regulatory provisions in effect at the time the costs are paid for with CDBG funds;
- CDBG payment will be made during a time no longer than the next two program years following the effective date of the grant agreement or amendment in which the activity is first included; and
- the total amount of pre-award costs to be paid during any program year pursuant to this provision is no more than the greater of 25 percent of the amount of the grant made for that year or \$300,000.

The City incurred administrative costs before the effective date of the grant agreement. Every year the City describes the use of funds for administration in the Annual Action Plan, prepares an environmental review, and complies with the statutory and regulatory provisions associated with the use of administrative funds, including not obligating more than 20% of funds for administration and planning purposes.

Going forward, the City will develop and adopt a written procedure that clarifies the existing process and calls for documentation of approval from the Executive Director before pre-award costs are incurred in the future.

Anticipated Completion Date: June 1, 2015.

FINDING: E. Procurement

The Department and Commission have not adopted policies and procedures or designed controls to ensure compliance with the requirements for procurement. The Department did not have controls in place to ensure that all construction change orders were approved by the Commission and that the total of all change orders that increase the scope of the project did not exceed twenty percent (20%) of the amount of the original contract.

Description of Corrective Action Plan

The City will develop and adopt policies that guide procurement and contract management, including the review and approval of all change orders.

Anticipated Completion Date: June 1, 2015.

FINDING: F. Suspension and Debarment

The Department adopted the following policy for determining whether or not a vendor had been suspended or excluded from doing business with the Federal government: "Before executing any contracts equal to or exceeding \$25,000, the City will ensure that the contractor is not suspended or debarred from working on federally-funded contracts by searching the Internet-based System for Award Management (www.sam.gov). The City will document that the selected contractor has not been

suspended or debarred by printing out the search screen from the SAM.gov website and including the printout in the project file."

Procedures to monitor or review compliance with the City's established procedures and the federal requirements regarding suspension and debarment were not implemented.

Description of Corrective Action Plan

The City will develop and adopt policies that guide procurement and contract management, including the determination of debarment and suspension. Going forward, the printed documentation from sam.gov will be included as an attachment to the contract.

Anticipated Completion Date: June 1, 2015.

FINDING: G. Program Income

The City purchased foreclosed homes with NSP funds. The foreclosed homes were refurbished with NSP funds and then sold. Program income was generated when the previously foreclosed homes were sold. The City did not have effective controls in place to ensure that program income generated from NSP home sales was correctly recorded or monitored.

Description of Corrective Action Plan

At the time of closing of each NSP property, the proceeds from the sale were transferred from the Housing Manager to the Department Finance Manager. The Finance Manager recorded the receipt in the Department ledger and forwarded the check to the Controller for receipt into the General Ledger.

The Housing Manager included the reporting of program income in the quarterly report in DRGR, as required by HUD. As part of the drawdown process, the Finance Manager and Housing Manager would reconcile the amounts of program income recorded in DRGR, the Departmental ledger, and the City's general ledger.

Going forward, the City will develop and adopt written procedures that detail the recording and monitoring of program income.

Anticipated Completion Date: July 1, 2015.

FINDING: H. Reporting

The Department and Commission have not designed effective controls to ensure compliance with the reporting requirements of the programs. Controls were not implemented to ensure that all required federal reports are submitted and that NSP reports were accurate.

Description of Corrective Action Plan:

Going forward, the City will develop and adopt written procedures that detail the reporting procedures for NSP.

Anticipated Completion Date: June 1, 2015.

FINDING: I. Subrecipient Monitoring

The Department and Commission have not designed effective controls to ensure compliance with the subrecipient monitoring requirements of the program. CDBG funds were distributed to various subrecipients and local nonprofit organizations. The Department did not have procedures to monitor subrecipients and to ensure that they obtained an A-133 audit and provided any findings to the Department when applicable.

Description of Corrective Action Plan:

The City has updated its CDBG subrecipient agreement to include language that mandates subrecipients to report and comply with the updated audit requirements that went into effect in December 2014. See ATTACHMENT #02 (Updated Agreement).

Anticipated Completion Date: April 2015.

FINDING: J. Special Tests and Provisions: Citizen Participation

The Department and Commission have not adopted policies and procedures or designed controls to ensure compliance with citizen participation requirements. One employee is in charge of ensuring compliance with citizen participation requirements. A consultant was also hired to assist with citizen participation. The employee prepared the citizen participation plan; however, documentation to indicate oversight and review of the compliance with the annual requirements was not provided.

Description of Corrective Action Plan:

The City disputes this finding. The statement that one employee is in charge of ensuring compliance with citizen participation requirements is incorrect. The process for preparing the required planning documents, including the citizen participation requirements of public notice, public comment periods, and public hearings, is a collective effort that includes the Executive Director, the Community Development Director, the Social Service Coordinator, and the City's HUD consultant.

The City has adopted and follows a Citizen Participation Plan to prepare its Consolidated Plan, Annual Action Plan, and its annual report, as well as substantial amendments to these documents.

Going forward, the City will develop and adopt a grants management schedule that includes all required citizen participation planning tasks. The City will document review and completion of the required tasks by management staff, including the Community Development Director and the Executive Director.

Anticipated Completion Date: June 1, 2015.

FINDING 2013-005 - ALLOWABLE COSTS AND COST PRINCIPLES, EARMARKING

Contact Person Responsible for Corrective Action: Phil Taillon
Contact Phone Number: (219) 853-6508 Ext. 8

FINDING: Allowable Costs and Cost Principles

The City did not comply with the allowable costs and cost principles requirements of the CDBG program when reimbursement was requested for payroll costs originally disbursed in October 2011 through June 2012. The Department of Housing and Urban Development (HUD) requires that CDBG requests for reimbursement of payroll costs be supported by time sheets allocating employee time by project or general administrative activities.

On March 28, 2013, the City requested reimbursement of \$399,554.97 in payroll costs originally disbursed in October 2011 through June 2012. This was the only voucher in 2013 requesting reimbursement for payroll costs and included both grant B11MC180006 and grant B12MC180006. The total payroll amounts were supported by time sheets; however, the amounts claimed by project were \$88,671.37 in excess of the supported time allocation documents. The officials requested the amounts by project based upon the budget amounts available and not yet drawn; not on the actual payroll costs with time sheet allocation documentation.

Description of Corrective Action Plan

The City agrees that the payroll reimbursement in question was not properly reviewed and funds were reimbursed against the wrong IDIS activity numbers. The City will reconcile the payroll in question. Going forward, the City will update written policies and procedures to review and approve payroll draws.

It should be noted that the auditor misinterprets several federal regulations in this finding. Specifically:

- The auditor cites the City's failure to comply with the "earmarking" requirements of CDBG and cites 24 CFR 570.200(g) describing the limitation on planning and administrative costs. **This regulation is based on the amount of funds obligated to planning and administrative costs.** Every year the City adopts a CDBG budget where planning and administrative costs is at or below 20% of the annual allocation. At the end of every year, the City has submitted to HUD's review the PR26 CDBG Financial Summary Report documenting compliance with this limitation.

Anticipated Completion Date: June 1, 2015.

FINDING 2013-006 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Contact Person Responsible for Corrective Action: Phil Taillon
Contact Phone Number: (219) 853-6508 Ext. 8

FINDING

The City receives Neighborhood Stabilization Program (NSP) funds for the acquisition and rehabilitation of foreclosed and/or vacant residential homes. Of the thirteen NSP real properties sold in 2013, the official City Capital Assets Ledger did not report the federal percentage for twelve properties, incorrectly reported the net sale proceeds (disposal) amounts for two properties, and incorrectly reported the disposal date for one property. The City does not maintain records that adequately identify equipment

and other property acquired with federal funds by indicating a federal percentage. Although the City's capital asset accounting software has the capability of separately identifying items acquired with federal funds, this information is not entered into the system.

Description of Corrective Action Plan

In response to the previous monitoring, the Housing Manager began reviewing the Capital Assets ledger on a periodic basis and sending email requests to the Controller's office when the Capital Assets ledger needed correction. The NSP Manager notifies the City's Controller's Office via email and copying Planning and Development Management of each sale or acquisition of a NSP home. A standardized format is utilized stating the property address, the fund from which funds were drawn for its acquisition, the acquisition price, the sale price (both full and Net), and the appropriate property ID Number. As of April 25, 2014, the Controller's records was properly reconciled with the Department's records.

Going forward, the Community Development Director and Finance Manager, will include a review of the Capital Assets Ledger as part of the quarterly reporting process in DRGR. All requests for updates to the Controller's office and a current copy of the Capital Assets ledger will be filed as attachments to the NSP quarterly reports.

Anticipated Completion Date: April 25, 2014. The new process of verifying the Capital Assets Ledger as part of the QPR preparation was first done in April 2015.

FINDING 2013-007 - REPORTING

Contact Person Responsible for Corrective Action: Phil Taillon
Contact Phone Number: (219) 853-6508 Ext. 8

FINDING

The City was the prime awardee for a Community Development Block Grant (CDBG). As a prime awardee, the City is required to report in the Federal Funding Accountability and Transparency Act (FFATA) Sub-award Reporting System (FSRS) on its sub-grants in accordance with 2 CFR Chapter 1, part 170, Reporting Sub-award and Executive Compensation Information. Prime awardees are required to file a FFATA sub-award report by the end of the month following the month in which the prime awardee awards any sub-grant equal to or greater than \$25,000. In 2013, the City awarded three subgrantees over \$25,000 but no FFATA reports were filed in 2013 or 2014.

The U.S. Department of Housing and Urban Development (HUD) requires online quarterly performance reports through the Community Development Systems, Disaster Recovery Grant Reporting System (DRGR) for the Neighborhood Stabilization Program (NSP) NSP1 and NSP3. A comparison of the disbursement amounts on the quarterly report and the City's ledger revealed that the City's ledger was not used to complete the reports. The total funds expended per the quarterly reports for 2013 totaled \$2,091,804.91; however, the total amount expended for NSP in 2013 per the City's ledgers totaled \$1,682,405.40; a difference of \$409,399.51. The City was unable to provide documentation to reconcile the City ledgers to the amounts filed in the quarterly reports.

Description of Corrective Action Plan

Going forward, the City will develop and adopt written procedures detailing federal reporting procedures that specifically include FFATA reports. The procedures will also include detailed instruction on completing NSP reporting requirements, of which reconciliation with the General Ledger will be a part.

Anticipated Completion Date: June 1, 2015

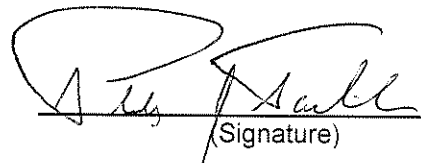
FINDING 2013-008 – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Contact Person Responsible for Corrective Action: Heather Garay
Contact Phone Number: INSERT

Description of Corrective Action Plan

In 2014, the City worked with the local HUD office to close all monitoring findings on the 2012 schedule of audit findings. HUD's correspondence regarding the audit findings is included as Attachment #03. In the future, the City will work closely with the State Board of Audits to properly prepare the next schedule of prior audit findings.

Anticipated Completion Date: Next audit



(Signature)

Executive Director

(Title)

5-15-2015

(Date)

ATTACHMENT 01

Grantee: Hammond, IN, HUD Office: Fin Rept01c: DRAWS- Budget and
 Indianapolis Field Office, Grant Disbursements by National Objective
 Status: Active, Metrics: Amount - Grant Level
 Disbursed

Grant Number	National Objective	N/A	NSP Only - LH - 25% Set- Aside	NSP Only - LMMI	Total
B-08-MN-18-0006		\$376,625.07	\$2,184,706.28	\$1,299,141.65	\$3,860,473.00
B-11-MN-18-0006		\$124,393.00	\$306,552.32	\$548,676.59	\$979,621.91
Total		\$501,018.07	\$2,491,258.60	\$1,847,818.24	\$4,840,094.91

ATTACHMENT 02

COMMUNITY DEVELOPMENT BLOCK GRANT GRANT AGREEMENT

This Agreement entered into this 1st day of April, 2015 by and between the City of Hammond, Indiana, acting by and through its Department of Planning and Development, hereinafter called the DEPARTMENT, and **HAMMOND LEGAL AID CLINIC**, 5231 Hohman Street Hammond, Indiana, 46320 hereinafter called the SUBRECIPIENT.

WITNESSETH THAT:

WHEREAS, the Community Development Block Grant (CDBG), is authorized by the Housing and Community Development Act of 1974, as amended, and is administered by the U.S. Department of Housing and Urban Development; and

WHEREAS, the use of CDBG funds, identified as #14.218 in the Catalog of Federal Domestic Assistance, is governed by the U.S. Federal Regulations 24 CFR Part 570; and

WHEREAS, the City of Hammond, is a recipient of CDBG funds received from HUD through its submission of its 2015 Annual Action Plan which included the use of CDBG funds for public service activities; and

WHEREAS, the DEPARTMENT, as the Mayor's Representative for Planning and Community Development, is responsible for the administration of CDBG funds; and

WHEREAS, the SUBRECIPIENT is a nonprofit organization that will provide a public service activity that provides Hammond residents with free legal assistance, more fully described in the CDBG Application for Funding attached hereto as Exhibit "A" ("Program"); and

WHEREAS, the SUBRECIPIENT represents that it can administer public service activities with CDBG funds in a manner which complies with all applicable federal regulations; and

WHEREAS, the DEPARTMENT wishes to provide a subaward to the SUBRECIPIENT to administer the Program;

NOW THEREFORE, the parties hereto do mutually agree as follows:

1. TERM

The term of this Agreement shall commence on **April 1, 2015** and, unless terminated earlier pursuant to the terms of this Agreement, shall continue thereafter until **March 31, 2016**.

2. STATEMENT OF WORK

The SUBRECIPIENT agrees to exert its best professional efforts to perform and carry out in a manner satisfactory to the DEPARTMENT, the services set forth in Exhibit A, entitled "Program," attached hereto and by reference incorporated herein and made a part of hereof.

The SUBRECIPIENT shall administer the Program for the whole of the term of the Agreement.

The SUBRECIPIENT shall administer the Program in compliance with the CDBG requirements and in a manner that meets the CDBG national objective(s) of 24 CFR 570.208. SUBRECIPIENT covenants the Program will be administered under its direct supervision and that all personnel engaged in the Program shall be fully qualified and authorized and permitted under applicable law to perform such services.

3. RECORDS AND REPORTS

On a quarterly basis, the SUBRECIPIENT shall submit to the DEPARTMENT, in a form acceptable to the DEPARTMENT, a performance report summarizing the number of unduplicated persons served, including race, ethnicity, and income data. The performance report shall be submitted within 30 days of the close of each quarter.

The SUBRECIPIENT shall retain all project files, financial records, and any other documents related to the Program for a period of three (3) years from the date of the close out of this Agreement, except in the following cases:

- If any litigation, claim, or audit is started before the expiration of the 3-year period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken.
- When the SUBRECIPIENT is notified in writing by the DEPARTMENT to extend the retention period.
- Records for real property and equipment acquired with Federal funds must be retained for 3 years after final disposition.

The DEPARTMENT shall monitor and evaluate SUBRECIPIENT's performance under this Agreement to determine compliance with this Agreement and CDBG Requirements. SUBRECIPIENT shall cooperate with DEPARTMENT and any federal auditors authorized by the DEPARTMENT and shall make available all information, documents, and records reasonably requested and shall provide DEPARTMENT the reasonable right of access to both records and personnel during normal business hours for the purpose of assuring compliance with this Agreement and evaluating performance hereunder. The rights of access in this section are not limited to the required retention period but last as long as the records are retained.

4. METHOD OF PAYMENT

The SUBRECIPIENT shall submit to the DEPARTMENT a request for payment, in a form acceptable to the DEPARTMENT, on a monthly basis for the term of the Agreement. Said request shall be accompanied with supporting documentation, including but not limited to paid receipts, invoices and timesheets, to allow the DEPARTMENT to determine compliance with applicable federal regulations, including cost allowability.

An authorized official for the SUBRECIPIENT must provide a signed certification with each request that states the following: “By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812).”

The DEPARTMENT shall pay all requests for payment which are approved pursuant to this Agreement within forty-five days of receipt. It is expressly understood and agreed that in no event will the total payment to the SUBRECIPIENT exceed the maximum sum of **FORTY FIVE THOUSAND DOLLARS (\$45,000.00)**.

If the DEPARTMENT disallows any cost submitted by the SUBRECIPIENT, within 10 business days the DEPARTMENT will provide written notification to the SUBRECIPIENT of the disallowance, including any corrective action necessary to process payment.

5. PROGRAM INCOME

Any income generated by the SUBRECIPIENT from the use of CDBG funds governed by this Agreement shall be considered CDBG program income. All CDBG program income shall be retained by the SUBRECIPIENT for the term of this Agreement. The use of all CDBG program income is reserved specifically for services outlined in the Statement of Work and is subject to the terms of this Agreement.

6. UNIFORM ADMINISTRATIVE REQUIREMENTS

The SUBRECIPIENT shall adhere to and follow the Uniform Administrative Requirements found in the U.S. federal regulations at 2 CFR Part 200.

The SUBRECIPIENT shall establish and maintain effective internal control over CDBG funds made available through this Agreement to provide reasonable assurance

that the Program is administered in compliance with applicable federal statutes, regulations, and the terms and conditions of this Agreement. This includes evaluation and internal monitoring of the Program and prompt, appropriate action when instances of noncompliance are identified.

The SUBRECIPIENT shall follow a written procurement policy that allows for full and open competition that meets the minimum standards of the U.S. federal regulations at 2 CFR 200.317 through 200.326.

The SUBRECIPIENT shall take reasonable measures to safeguard protected personally identifiable information and other information the DEPARTMENT designates as sensitive consistent with applicable Federal, state and local laws regarding privacy and obligations of confidentiality.

The SUBRECIPIENT shall maintain a financial management system that identifies all federal awards received and expended and the federal programs under which they were received, including:

- The CFDA title and number,
- Federal award identification number and year,
- Name of the Federal agency, and
- name of the pass-through entity, if any.

The SUBRECIPIENT shall follow written financial management policies and procedures that, at a minimum, provide for:

- determination the allowability of costs in accordance with the terms and conditions of this Agreement and the federal cost principles published in the U.S. federal regulations at 2 CFR 200 Subpart E;
- effective control over, and accountability for, all funds, property, and other assets to ensure all assets are safeguarded and they are used solely for authorized purposes; and
- accurate financial reporting on federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

7. AUDIT REQUIREMENTS

Within thirty (30) days of the close of the SUBRECIPIENT's fiscal year, the SUBRECIPIENT shall provide to the DEPARTMENT a certification stating the total amount of federal awards expended in the fiscal year. The certification shall be signed by an authorized official.

The SUBRECIPIENT agrees to have a single or program-specific audit conducted in accordance with the provisions of 2 CFR 200 Subpart F if the SUBRECIPIENT expends \$750,000 or more in federal awards during any fiscal year that overlaps with the term of this Agreement. The SUBRECIPIENT shall submit a copy of the audit to the DEPARTMENT and the Federal Audit Clearinghouse (FAC) within 30 calendar days after receipt of the auditor's report(s). The SUBRECIPIENT shall make copies of the audit available for public inspection for three years from the date of submission to the FAC.

The DEPARTMENT shall issue a management decision for audit findings that relate to this Agreement within six months of acceptance of the audit report by the FAC.

8. CONFLICT OF INTEREST

The SUBRECIPIENT shall maintain written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award and administration of contracts. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the SUBRECIPIENT. If the SUBRECIPIENT has a parent, affiliate, or subsidiary organization, the standards of conduct must cover organizational conflicts of interest to ensure the SUBRECIPIENT is able to be impartial in conducting a procurement action involving a related organization.

At a minimum, the standards of conduct shall include any person who is an employee, agent, consultant, officer, or elected official or appointed official of the SUBRECIPIENT. No covered persons who exercise or have exercised any functions or responsibilities with respect to CDBG activities assisted under this part, or who are in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from a CDBG-assisted activity, or have a financial interest in any contract, subcontract, or agreement with respect to a CDBG-assisted activity, or with respect to the proceeds of the CDBG-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter.

Upon written request, the DEPARTMENT may grant an exception to the conflict of interest provisions on a case-by-case basis.

9. OTHER PROGRAM REQUIREMENTS

The SUBRECIPIENT agrees to administer the Program in compliance with the following federal program requirements:

Section 109 of the Housing and Community Development Act of 1974 requires that no person in the United States shall on the grounds of race, color, national origin, religion, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial

assistance made available pursuant to the Act. Section 109 also directs that the prohibitions against discrimination on the basis of age under the Age Discrimination Act and the prohibitions against discrimination on the basis of disability under Section 504 shall apply to programs or activities receiving Federal financial assistance under Title I programs.

Equal Opportunity requirements as described in Executive Order 11246, as amended by Executive Orders 11375, 11478, 12086, and 12107.

Equal Protection of the Laws for Faith-Based and Community Organizations as described in Executive Order 13279 and the implementing regulations at 41 CFR chapter 60.

Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) and implementing regulations at 24 CFR part 135.

The Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821-4846), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851-4856), and implementing regulations at part 35, subparts A, B, J, K, and R of this part apply.

Exclusion of Debarred and Suspended Contractor requirements as described in 2 CFR Part 180.

Certain newly legalized aliens, as described in 24 CFR part 49, are not eligible to apply for CDBG benefits, including financial assistance, public services, jobs and access to new or rehabilitated housing and other facilities made available with CDBG. Benefits do not include relocation services and payments to which persons displaced are entitled by law (24 CFR §570.613).

A building or facility designed, constructed, or altered with CDBG funds governed by this Agreement that meets the definition of "residential structure" as defined in 24 CFR 40.2 or the definition of "building" as defined in 41 CFR 101-19.602(a) is subject to the requirements of the Architectural Barriers Act of 1968 (42 U.S.C. 4151-4157) and shall comply with the Uniform Federal Accessibility Standards (appendix A to 24 CFR part 40 for residential structures, and appendix A to 41 CFR part 101-19, subpart 101-19.6, for general type buildings).

The Americans with Disabilities Act (42 U.S.C. 12131; 47 U.S.C. 155, 201, 218 and 225) (ADA) provides comprehensive civil rights to individuals with disabilities in the areas of employment, public accommodations, State and local government services, and telecommunications.

10. CLOSEOUT AND REVERSION OF ASSETS

The DEPARTMENT will close out this Agreement when it determines that all applicable administrative actions and all required work of the Agreement have been completed by the SUBRECIPIENT.

Unless provided an extension through written notification by the DEPARTMENT, the SUBRECIPIENT shall complete the following actions no later than 30 calendar days after the end date of the term of this Agreement:

- Submit, all financial, performance, and other reports as required by the terms of this Agreement;
- Liquidate all obligations incurred under the Agreement; and
- Transfer to the DEPARTMENT any accounts receivable attributable to the use of CDBG funds, including CDBG program income.

Notwithstanding the expiration or earlier termination of this Agreement, SUBRECIPIENT's obligations to the DEPARTMENT shall not terminate until all closeout requirements are completed.

The following obligations of the SUBRECIPIENT shall survive the termination of this Agreement:

- SUBRECIPIENT'S indemnity obligations;
- the obligation to cause audits to be performed relating to SUBRECIPIENT'S activities and costs under this Agreement;
- the obligation to repay to DEPARTMENT any CDBG proceeds improperly disbursed to SUBRECIPIENT or disbursed for ineligible expenditures;
- any other obligations which cannot by their nature be performed until after the expiration of the Agreement such as the submittal of final payment request and performance reports.

Any real or personal property purchased in whole or in part with CDBG funds provided under this Agreement are subject to the following requirements that shall survive the termination of this Agreement:

- insurance and reporting requirements regarding real and personal property acquired with federal funds in accordance with the uniform administrative requirements contained in the U.S. federal regulations published at 2 CFR Part 200; and
- For real property under the SUBRECIPIENT control that was acquired or improved in whole or in part with CDBG funds in excess of \$25,000, said property shall be used to meet one of the national objectives in 24 CFR 570.208 for five years after close out of this Agreement. If the property is disposed of within five years of the close out of this Agreement, the SUBRECIPIENT shall reimburse the DEPARTMENT the a percentage of the current fair market value of the property equal to the percentage of CDBG funds expended to the overall acquisition and improvement cost of the property.

11. SUSPENSION AND TERMINATION

Termination for Convenience. This Agreement may be terminated by either party if the SUBRECIPIENT and DEPARTMENT mutually agree in writing to its termination and upon the termination conditions, including the effective date and in the case of partial termination, the portion to be terminated.

If, through any cause, the SUBRECIPIENT shall fail to fulfill in timely and proper manner its obligations under this Agreement, or if the SUBRECIPIENT shall violate any of the covenants, agreements, or stipulations of this Agreement, the DEPARTMENT shall thereupon have the right to terminate this Agreement by giving written notice to the SUBRECIPIENT of such termination and specifying the effective date thereof, at least five days before the effective date of such termination. In such event, all finished or unfinished documents and reports prepared by the SUBRECIPIENT under this Agreement shall, at the option of the DEPARTMENT, become its property and SUBRECIPIENT shall be entitled to receive just and equitable payment for any satisfactory work completed subject to the limitations of this Agreement.

12. MANDATORY DISCLOSURES

The SUBRECIPIENT shall provide written notice to the DEPARTMENT within 5 days of all potential conflicts of interest and violations of criminal law involving fraud, bribery, or gratuity violations potentially affecting this Agreement. Failure to make required disclosures can result in termination of the Agreement and suspension or debarment from future federal awards.

13. FINDINGS CONFIDENTIAL

Any reports, information or data given to or prepared by the SUBRECIPIENT concerning the DEPARTMENT under this Agreement shall not be made available to any individual or organization by the SUBRECIPIENT without first submitting them to the DEPARTMENT.

14. ENTIRE AGREEMENT, WAIVERS, AND AMENDMENTS

This Agreement integrates all of the terms and conditions mentioned herein, or incidental hereto, and supersedes all negotiations and previous agreements between the parties with respect to all or any part of the subject matter hereof. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the party to be charged, and all amendments and modifications hereto must be in writing and signed by the appropriate authorities of DEPARTMENT and SUBRECIPIENT.

The DEPARTMENT may, from time to time, request changes in the Statement of Work to be performed hereunder. Such changes, including any increase or decrease in the amount of compensation which are mutually agreed upon between the DEPARTMENT and the SUBRECIPIENT shall be incorporated into a written amendment to the Agreement.

15. ASSIGNABILITY AND SUBCONTRACTING

The SUBRECIPIENT shall not assign any interest in this Agreement. The SUBRECIPIENT shall not subcontract any of the services provided for in this Agreement, without first obtaining written consent of the DEPARTMENT.

16. SEVERABILITY

If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of this Agreement shall not be affected thereby to the extent such remaining provisions are not rendered impractical to perform taking into consideration the purposes of this Agreement.

17. SUBAWARD INFORMATION

SUBRECIPIENT NAME:	Hammond Legal Aid Clinic
Subrecipient ID (DUNS):	INSERT
Federal Award Identification Number:	B-15-MC-18-006
Federal Award Date:	June 1st, 2015 (estimated)
Period of Performance:	April 1st, 2015 to March 31st, 2016
Federal Funds Obligated by this Agreement:	\$45,000.00
Total Federal Funds Obligated to SUBRECIPIENT:	\$45,000.00
Total Amount of the Federal Award:	\$1,965,154
Federal award project description:	Provision of public services to improve the suitability of living environments, primarily for the benefit of low and moderate income persons.
Name of Federal awarding agency:	Dept. of Housing Urban Development
Name of pass-through entity:	City of Hammond, Indiana
Award Official Contact information:	Phillip Taillon 5925 Calumet Avenue Hammond IN 46320 219-853-6300
CFDA Number:	14.218
CFDA Name:	Community Development Block Grant

Identification of R&D: **No**
Indirect cost rate for the Federal award: **10%**

(The remainder of this page is intentionally left blank; signature page to follow)

SIGNATURE PAGE

HAMMOND LEGAL AID CLINIC

BY: _____
KRIS COSTA SAKELARIS, Executive Director

DATE: _____

**CITY OF HAMMOND, INDIANA
DEPARTMENT OF PLANNING AND DEVELOPMENT**

BY: _____
PHIL TAILLON, Executive Director

DATE: _____

**CITY OF HAMMOND, INDIANA
REDEVELOPMENT COMMISSION**

BY: _____
TONY HAUPRICH, President

DATE: _____

ATTEST BY: _____

DATE: _____

THOMAS M. MCDERMOTT, JR., Mayor

DATE: _____

EXHIBIT A: PROGRAM DESCRIPTION

Grantee: Hammond, IN, HUD Office: Fin Rept01c: DRAWS- Budget and
 Indianapolis Field Office, Grant Disbursements by National Objective
 Status: Active, Metrics: Amount - Grant Level
 Disbursed

Grant Number	National Objective	N/A	NSP Only - LH - 25% Set- Aside	NSP Only - LMMI	Total
B-08-MN-18-0006		\$376,625.07	\$2,184,706.28	\$1,299,141.65	\$3,860,473.00
B-11-MN-18-0006		\$124,393.00	\$306,552.32	\$548,676.59	\$979,621.91
Total		\$501,018.07	\$2,491,258.60	\$1,847,818.24	\$4,840,094.91



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Community Planning & Development
151 North Delaware Street, Suite 1200
Indianapolis, Indiana 46204-2526
(317) 226-6303 (317) 614-6101 (FAX)
www.hud.gov espanol.hud.gov

OCT 14 2014

Mr. Phil Taillon
Executive Director
Department of Planning and Development
649 Conkey Street
Hammond, IN 46234

Dear Mr. Taillon:

SUBJECT: Audit Report: City of Hammond, IN
Period Ending: December 31, 2012
Audit Control #: 12-11
Program Areas: Community Development Block Grant – Entitlement
Neighborhood Stabilization Program I & III
Internal Controls

We have received your response dated October 10, 2014 to our correspondence regarding the above referenced audit prepared by the Indiana State Board of Accounts. The following is a status of the remaining open finding controlled by the U.S. Department of Housing and Urban Development (HUD) from this Audit:

Finding 2012-01 - Internal Control Over Financial Transactions and Reporting

Condition: The City has not established effective controls to allow for the proper reporting of the City's financial transactions and cash and investment balances.

Criteria or Specific Requirement: We noted deficiencies in the internal control system of the City related to financial transactions and reporting. Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statement and then determining how those identified risks should be managed.

HUD Management Decision: The HUD Office of Community Planning and Development (CPD) has determined that we sustain the auditor's finding. The specific amounts were deemed material by the auditor and led to misstatements in the financial statement which could lead to larger financial issues.

HUD Initial Required Corrective Action: The City of Hammond must submit documentation demonstrating the changes that have been made and the effect the changes have had on financial reporting.

OCT 16 2014

SANITARY DISTRICT of HAMMOND

5143 COLUMBIA AVENUE
HAMMOND, INDIANA 46327-1794
TELEPHONE (219) 853-6412 - 13 - 14 - 88
FAX (219) 853-6321

Board of Sanitary Commissioners

STANLEY J. DOSTATNI
SAM DIMOPOULOS
MICHAEL HAWKINS, SR.
MATTHEW J. MUTA
MICHAEL DYE



MARTY WIELGOS
District Manager
RACHEL MONTES
Business Manager
JOSEPH P. ALLEGRETTI
Legal Counsel

May 21, 2015

CORRECTIVE ACTION PLAN

FINDING NO. 2013-009

Federal Agency: Environmental Protection Agency

Federal Program: Capitalization Grants or Clean Water State Revolving Funds

CFDA Number: 66.458

Pass-through Agency: Indiana Finance Authority

Auditee Contact Person: Rachel Montes, Business Manager

Contact Phone Number: 219-853-6413

Expected Completion Date: 12/31/15

Corrective Action:

Davis-Bacon Act

1. The District will ensure that the Davis-Bacon Act requirements are included with all the required contracts for projects financed with state revolving funds.
2. Specifically, the District's project manager will give the business administration office a weekly schedule of active projects and the administration office will ensure that certified payrolls are being submitted by the contractors on a consistent basis.

Procurement, Suspension and Debarment:

1. The District will design and operate an internal control system, including segregation of duties, to provide reasonable assurance that material noncompliance with a grant agreement or a type of compliance requirement of a federal program will be prevented, detected and corrected on a timely basis.
2. Specifically the district will implement procedures to ensure that contractors and vendors that HSD employs are not suspended or disbarred from participation in federal programs via the sam.gov website. HSD will keep a copy of the search results.

A handwritten signature in cursive script that reads "Rachel Montes".

Official's Signature

SANITARY DISTRICT of HAMMOND

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HAMMOND, INDIANA 46327-1794
TELEPHONE (219) 853-6412 - 13 - 14 - 88
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District Manager
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May 21, 2015

CORRECTIVE ACTION PLAN

FINDING NO. 2013-010

Federal Agency: Environmental Protection Agency

Federal Program: Capitalization Grants or Clean Water State Revolving Funds

CFDA Number: 66.458

Pass-through Agency: Indiana Finance Authority

Auditee Contact Person: Rachel Montes, Business Manager

Contact Phone Number: 219-853-6413

Expected Completion Date: 12/31/15

Corrective Action:

Davis-Bacon Act

1. The District will ensure that Davis-Bacon Act requirements are included with all the required contracts for projects procured through the bidding process and through the allowable special purchasing methods.
2. Specifically, the District's project manager will give the business administration office a copy of all accepted contracts to ensure that the prevailing wage clause is included.



Official's Signature

OTHER REPORT

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