

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF HUNTINGTON

HUNTINGTON COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
02/28/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Christi A. Scher McElhanev	01-01-12 to 12-31-19
Mayor	Brooks L. Fetters	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	Brooks L. Fetters	01-01-12 to 12-31-19
President Pro Tempore of the Common Council	Joseph E. Blomeke	01-01-14 to 12-31-17
Utilities Coordinator	Marilyn K. Ratliff	01-01-14 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDIANAPOLIS, INDIANA 46204-2769

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TO: THE OFFICIALS OF THE CITY OF HUNTINGTON, HUNTINGTON COUNTY, INDIANA

This report is supplemental to our audit report of the City of Huntington (City), for the period from January 1, 2014 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the City, which provides our opinions on the City's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

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

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

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

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

January 11, 2017

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CLERK-TREASURER
CITY OF HUNTINGTON

CLERK-TREASURER
CITY OF HUNTINGTON
FEDERAL FINDINGS

FINDING 2014-001 - CASH MANAGEMENT

Federal Agency: Environmental Protection Agency
Federal Program: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458
Federal Award Numbers and Years (or Other Identifying Numbers): WW10013503, WW12352104
Pass-Through Entity: Indiana Finance Authority

Condition

Management of the City had not established an effective internal control system related to the grant agreement and the Cash Management compliance requirement. The following deficiency constituted a material weakness:

The Clerk-Treasurer prepared the SRF (State Revolving Fund) Disbursement Request Form to request grant reimbursements but the form was not reviewed or approved by another person.

Context

The City did not have adequate controls in place to comply with the Cash Management requirement of the Capitalization Grants for Clean Water State Revolving Funds program.

Criteria

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"

Cause

Management had not developed an effective system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed the City at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish controls related to the grant agreement and the Cash Management requirement.

CLERK-TREASURER
CITY OF HUNTINGTON
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-002 – 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 and Years (or Other Identifying Numbers): WW10013503, WW12352104

Pass-Through Entity: Indiana Finance Authority

Condition

Management of the City had not established an effective internal control system related to the grant agreement and the following compliance requirement: Davis-Bacon Act. The City paid an independent contractor to provide grant administration services for the Capitalization Grants for Clean Water State Revolving Funds grant.

The City did not obtain all certified payrolls from the independent contractor or monitor that prevailing wage rates were paid. Therefore, the City did not review all certified payrolls for contractors and sub-contractors for the 2013 Frederick Street SRF project and they did not review subcontractor contracts for the 2011 WCP SRF project to ensure that a prevailing wage rate clause was included.

Context

The City relied solely on communications with the Grant Administrator to determine compliance with the Davis-Bacon Act.

Due to the lack of maintaining certified payrolls we were unable to determine if the City complied with the Davis-Bacon Act requirement of the Capitalization Grants for Clean Water State Revolving Funds program. The City did not have adequate controls in place over the Davis-Bacon Act requirement.

Criteria

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. . . ."

40 CFR 30.53(b) states in part:

"Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by EPA. . . ."

CLERK-TREASURER
CITY OF HUNTINGTON
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed an effective system of internal controls that segregated key functions. Certified payrolls were not maintained.

Effect

The failure to maintain the certified payrolls prevented the ability to verify if the City was in compliance with the requirements for Davis-Bacon Act.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish controls related to the grant agreement and the Davis-Bacon Act requirement and to maintain the certified payrolls.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



CHRISTI A. MCELHANEY

*Clerk Treasurer
City of Huntington*

City of Huntington
300 Cherry Street
Huntington, IN 46750
Phone: (260) 356-1400
Fax: (260) 358-2332

January 11, 2017

CORRECTIVE ACTION PLAN

Finding 2014-001 –

Contact Person Responsible for Corrective Action: Christi McElhaney
Contact Phone Number: 260-356-1400 X 2016

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

We will have both the Engineer and the Clerk Treasurer sign off when submitting claims to SRF.

Anticipated completion date: 1/31/2017

Finding 2014-002 –

Contact Person Responsible for Corrective Action: Christi McElhaney
Contact Phone Number: 260-356-1400 X 2016

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

We will make sure we receive all information from the professional engineering service for the SRF grants and review the documents to ensure the prevailing wage rate is paid and that the documents are included in our files.

Anticipated completion date: 1/31/2017

Signature Christi A. McElhaney

Title City Clerk Treasurer

Date 1-11-17

CLERK-TREASURER
CITY OF HUNTINGTON
AUDIT RESULTS AND COMMENTS

IMPROPER USE OF THE LOCAL LAW ENFORCEMENT CONTINUING EDUCATION FUND

The Local Law Enforcement Continuing Education fund, presented on the financial statement as the LLECE fund, was not properly used. Miscellaneous receipts were posted to the fund such as donations, scrap metal sales, and building rental reimbursements totaling \$5,561. Miscellaneous disbursements for employee appreciation, retirement memorabilia, and building rental totaling \$7,310 were posted to this fund. These miscellaneous receipts and disbursements should not be accounted for in the LLECE fund.

Indiana Code 5-2-8-6 concerning use of funds received by law enforcement agency states: "Funds received by a law enforcement agency under this chapter shall be used for the continuing education and training of law enforcement officers employed by the agency and for equipment and supplies for law enforcement purposes."

The following statutes provide for the sources of receipts to be deposited into the local law enforcement continuing education fund established under Indiana Code 5-2-8-2:

1. Law Enforcement Continuing Education fees (Indiana Code 33-37-5-8 and Indiana Code 33-37-8-3)
2. Inspection of Motor Vehicle fees (Indiana Code 9-29-4-2)
3. Vehicle Accident Reports fees (Indiana Code 9-29-11-1)
4. Handgun License fees (Indiana Code 35-47-2-3)
5. Proceeds from the Sale of Confiscated Weapons (Indiana Code 35-47-3-2)

DESIGNATED DEPOSITORY

The City invested \$3,000,000 during 2014 with an investment company. The fair market value at December 31, 2014, was \$2,992,324. The investment company was not a designated depository under Indiana Code 5-13-9-2.5.

Indiana Code 5-13-9-2.5 states in part:

"(a) An officer designated in section 1 of this chapter may invest or reinvest funds that are held by the officer and available for investment in investments commonly known as money market mutual funds that are in the form of securities of or interests in an open-end, no-load, management-type investment company or investment trust registered under the provisions of the federal Investment Company Act of 1940, as amended (15 U.S. C. 80a et seq.)

(b) The investments described in subsection (a) shall be made through depositories designated by the state board of finance as depositories for state deposits under IC 5-13-9.5. . . ."

CLERK-TREASURER
CITY OF HUNTINGTON
EXIT CONFERENCE

The contents of this report were discussed on January 11, 2017, with Christi A. Scher McElhane, Clerk-Treasurer; Brooks L. Feters, Mayor; and Joseph E. Blomeke, President Pro Tempore of the Common Council.

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POLICE DEPARTMENT
CITY OF HUNTINGTON

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CITY OF HUNTINGTON
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POLICE DEPARTMENT
CITY OF HUNTINGTON
EXIT CONFERENCE

The contents of this report were discussed on January 11, 2017, with Christi A. Scher McElhane, Clerk-Treasurer; Brooks L. Feters, Mayor; Joseph E. Blomeke, President Pro Tempore of the Common Council; Chad Hacker, Chief of Police; Matt Hughes, Assistant Chief; and Amy Wagner, Office Manager.

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COMMON COUNCIL
CITY OF HUNTINGTON

COMMON COUNCIL
CITY OF HUNTINGTON
AUDIT RESULTS AND COMMENTS

IMPROPER USE OF THE LOCAL LAW ENFORCEMENT CONTINUING EDUCATION FUND

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CITY OF HUNTINGTON
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