

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF FORT WAYNE

ALLEN COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
08/25/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Mayor	Thomas Henry	01-01-16 to 12-31-19
City Controller	Len Poehler	01-01-16 to 12-31-17
President of the Common Council	Russ Jehl	01-01-16 to 12-31-17
Director of City Utilities	Kumar Menon	01-01-16 to 12-31-17
Director of Public Safety	Russel York Position Eliminated	01-01-16 to 12-01-16 12-02-16 to 12-31-17
Director of Public Works	Robert Kennedy	01-01-16 to 12-31-17
Director of Community and Economic Development	Greg Leatherman	01-01-16 to 12-31-17



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TO: THE OFFICIALS OF THE CITY OF FORT WAYNE, ALLEN COUNTY, INDIANA

This report is supplemental to our audit report of the City of Fort Wayne (City), for the period from January 1, 2016 to December 31, 2016. 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 Finding, identified in the above referenced audit report, is included in this report and should be viewed in conjunction with the Audit Result and Comment as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Result and Comment contained herein describes the identified reportable instance 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 Finding and Official Response to the Audit Result and Comment, incorporated within this report, was not verified for accuracy.

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

June 27, 2017

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CITY CONTROLLER
CITY OF FORT WAYNE

CITY CONTROLLER
CITY OF FORT WAYNE
AUDIT RESULT AND COMMENT

NEGATIVE FUND BALANCES/NET POSITION

The following funds had a negative fund balance or net position at December 31, 2016:

Fund	Amount
Public Safety Academy (Non-Major Debt Service)	\$ 350,441
Omnibus Crime (Non-Major Special Revenue)	30,589
Parking Fund (Non-Major Special Revenue)	41,447
Self Insurance (Internal Service)	<u>492,421</u>
Total Deficit Fund Balances	<u><u>\$ 914,898</u></u>

A similar comment appeared in prior Report B46896.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)



CITY OF FORT WAYNE

THOMAS C. HENRY, MAYOR

Mr. Paul D. Joyce, CPA
State Examiner
State Board of Accounts
302 W. Washington St., Room E418
Indianapolis, IN 46204-2765

July 20, 2017

NEGATIVE FUND BALANCES/NET POSITION

The City is in agreement that the following funds have negative fund balances or net position due to the following reasons:

The Public Safety Academy Fund, which is used to track the Southtown Project in its entirety, has a negative fund balance due to revenues not being received for land sales as expected. However, the City was able to reduce the negative fund balance significantly due to a refinancing of the outstanding debt. The City will make every attempt to ensure a positive fund balance in 2017.

The Omnibus Crime Fund has a negative fund balance due to a delayed reimbursement request from a federal grant. The City will make every attempt to ensure a positive fund balance in 2017.

The Group Health Insurance Fund has a negative net position due to the estimated expenses used at year end versus the ability to use actual claims for the accruals. The fund has a positive cash balance. The City did increase their contribution per employee in the 2017 budget that should result in a positive net position in 2017.

The Parking Fund has a negative fund balance due to an increase to the City by the owner of the parking garage vendor that was not passed on to the employee. The City will make every attempt to ensure a positive fund balance in 2017.

Sincerely,

Len Poehler
City Controller

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CITY CONTROLLER
CITY OF FORT WAYNE
EXIT CONFERENCE

The contents of this report were discussed on June 27, 2017, with Len Poehler, City Controller; Valerie Ahr, Deputy Controller; Tracy Neumeier, Director of Internal Audit; C.J. Steigmeyer, Internal Audit Committee Chair; and Jason Arp, Common Council member.

COMMUNITY DEVELOPMENT
CITY OF FORT WAYNE

COMMUNITY DEVELOPMENT
CITY OF FORT WAYNE
FEDERAL FINDING

FINDING 2016-001 - REPORTING

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Numbers and Years (or Other Identifying Numbers): B-14-MC-180003, B-15-MC-180003,
B-16-MC-180003

Condition

An effective internal control system was not in place at the City's Community Development-Office of Housing and Neighborhood Services (OHNS) in order to ensure compliance with requirements related to the grant agreement and the performance reporting requirements.

The City is required to file a Consolidated Annual Performance and Evaluation Report (CAPER) and a Performance Report HUD 60002 by March 30 following the year of activity.

Context

The OHNS filed their 2016 CAPER by March 30, 2017. When a CAPER is required to be filed, a Performance Report HUD 60002 is also required to be filed at the same time. The Performance Report HUD 60002 generated by the Integrated Disbursement and Information System (IDIS) for the year 2016 was not filed until June 15, 2017.

The Performance Report HUD 60002 generated by the Integrated Disbursement and Information System (IDIS) for the year 2015 was not filed until August 12, 2016.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

COMMUNITY DEVELOPMENT
CITY OF FORT WAYNE
FEDERAL FINDING
(Continued)

2 CFR 200.328(b)(1) states in part:

"The non-Federal entity must submit performance reports at the interval required by the Federal awarding agency or pass-through entity to best inform improvements in program outcomes and productivity. Intervals must be no less frequent than annually nor more frequent than quarterly except in unusual circumstances, for example where more frequent reporting is necessary for the effective monitoring of the Federal award or could significantly affect program outcomes. Annual reports must be due 90 calendar days after the reporting period; . . ."

Cause

Management had not developed a system of internal controls related to the grant agreement and the requirements of performance reporting.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected, which could have resulted in the loss of federal funds to the City.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and the requirements for performance reporting.

We also recommended that the City's management comply with the requirements for performance reporting.

Views of Responsible Officials

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



COMMUNITY DEVELOPMENT

Thomas C. Henry, Mayor

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Community Development
200 East Berry Street, Suite 320
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CORRECTIVE ACTION PLAN

FINDING 2016-01 - REPORTING

Contact Person Responsible for Corrective Action: Kelly Lundberg, Deputy Director, Office of Housing & Neighborhood Services
Contact Phone Number: 260-427-2158

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The City of Fort Wayne's Office of Housing & Neighborhood Services (OHNS), under the direction of new Deputy Director Kelly Lundberg, has been establishing new internal controls and revising policies and procedures in order to more effectively manage compliance requirements, including performance reporting and segregation of duties.

As part of that process OHNS has developed a process flow to ensure the Consolidated Annual Performance Evaluation Report (CAPER) is completed and submitted within 90 days following the end of the program year. Effective immediately OHNS will add the HUD Form 60002 completion and submittal to the CAPER process flow to ensure that going forward the HUD Form 60002 is completed and submitted in a timely manner.

Within forty-five days following the end of the program year the Section 3 Officer, Jim Atz, will complete the required HUD Form 60002 and submit to the CD Administrator, John Stineburg, for review and approval. Once approved the Section 3 Officer will submit HUD Form 60002 in the proper reporting system to ensure compliance with the performance reporting requirements. The CD Administrator will begin monitoring all performance reporting dates to ensure timeliness of submission.

Anticipated Completion Date: June 26, 2017


(Signature)

CD ADMINISTRATOR
(Title)

6.26.2017
(Date)

COMMUNITY DEVELOPMENT
CITY OF FORT WAYNE
EXIT CONFERENCE

The contents of this report were discussed on June 27, 2017, with Len Poehler, City Controller; Valerie Ahr, Deputy Controller; Tracy Neumeier, Director of Internal Audit; C.J. Steigmeyer, Internal Audit Committee Chair; Jason Arp, Common Council member; Greg Leatherman, Director of Community and Economic Development; John Stineburg, CD Administrator; and Seema Timble, CD-OHNS Financial Director.