

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF MICHIGAN CITY

LAPORTE COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
03/01/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Richard Murphy	01-01-16 to 12-31-18
Mayor	Ron Meer	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Stephen Janus	01-01-16 to 12-31-18
President of the Common Council	Timothy Bietry Chris Schwanke Donald Przybylinski	01-01-16 to 12-31-16 01-01-17 to 12-01-17 12-02-17 to 12-31-18
Superintendent of the Water Utility	Randall E. Russell	01-01-16 to 12-31-18
Sanitary District Manager	Michael Kuss	01-01-16 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF MICHIGAN CITY, LAPORTE COUNTY, INDIANA

This report is supplemental to our audit report of the City of Michigan City (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 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.

Any Corrective Action Plan for the Federal Finding, incorporated within this report, was not verified for accuracy.

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

January 17, 2018

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REDEVELOPMENT DEPARTMENT
CITY OF MICHIGAN CITY

REDEVELOPMENT DEPARTMENT
CITY OF MICHIGAN CITY
FEDERAL FINDING

FINDING 2016-001

Subject: Community Development Block Grants/Entitlement Grants - Suspension and Debarment
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-180022, B-15-MC-180022,
B-16-MC-180022
Compliance Requirement: Procurement and Suspension and Debarment
Audit Finding: Material Weakness

Condition

The City had not established an effective internal control system related to the grant agreement and the suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement. There was no evidence of oversight related to the City's procedures for ensuring that vendors were not suspended or debarred, or otherwise excluded from participation in federal programs.

Context

This was a systemic issue, which occurred throughout the audit period.

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 award 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). . . ."

REDEVELOPMENT DEPARTMENT
CITY OF MICHIGAN CITY
FEDERAL FINDING
(Continued)

Cause

Management had not developed a 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 requirement 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, including segregation of duties, related to the grant agreement and the Suspension and Debarment requirements of the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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



MICHIGAN CITY INDIANA

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Judith Pinkston
Contact Phone Number: 219-873-1419

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Internal Control will be corrected to alleviate risk related to achieving the defined objectives of the CDBG Grant. A checklist (see attached) that has been used to control all documents related to a contractor's qualifications to enter into construction agreements with the City will be modified. A category for the Debarment Website System for Award Management (SAM) will be added to the checklist.

This will ensure that the City does not contract with a disbarred contractor and meets the requirements of internal control as established by "The Standards for Internal Control in Federal Government".

Anticipated Completion Date: January 26, 2018

Community Development Block Grant Administrator

January 9, 2018

RON MEER – MAYOR

CHECKLIST

Instructions: All documents listed below are required for a complete submittal. The checklist is to help facilitate the completion of the minimum required attachments to your submittal. The checklist must be completed as part of the submittal. Check each line as acknowledgement of attachment to your submittal. To help ensure that all documents are properly identified and to expedite review, please submit in the order of the checklist.

- _____ Completed Application
- _____ Copy of W-9
- _____ Certificate of Insurance
- _____ Worker's Compensation Insurance (if employees)
Or
Workers Compensation Clearance Certificate (no employees)
- _____ Copy of Lead Based Paint License or Certifications (HUD, EPA, RRP)
- _____ Complete Section 3 documents (attach regardless of applicability)
- _____ Women / Minority Business Enterprises Certification (MBE/WBE) State Certification
(if applicable)
- _____ Copy of E-Verify Documentation
- _____ Non-Collusion Affidavit
- _____ Compliance Affidavit
- _____ Conflict of Interest Disclosure Form
- _____ City of Michigan City EEO Package (A copy must be taken / delivered to the Michigan City Human Rights Department)
- _____ Debarment Website System for Award Management (SAM) checked

REDEVELOPMENT DEPARTMENT
CITY OF MICHIGAN CITY
EXIT CONFERENCE

The contents of this report were discussed on January 17, 2018, with Richard Murphy, Controller; Ron Meer, Mayor; Sherry Wilson, Administrative Assistant for the Redevelopment Department; Amber Lapaich-Stalbrink, Corporation Counsel; and James B. Meyer, Common Council and Sanitary District Attorney.