

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

FEDERAL SINGLE AUDIT REPORT

OF

CITY OF FORT WAYNE

ALLEN COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
08/09/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Len Poehler	01-01-17 to 03-31-18
	Garry Morr	04-01-18 to 12-31-18
Mayor	Thomas Henry	01-01-16 to 12-31-19
President of the Common Council	Russ Jehl	01-01-17 to 12-31-17
	Thomas Freistroffer	01-01-18 to 12-31-18
Director of Public Works	Robert Kennedy	01-01-17 to 11-04-17
	Shan Gunawardena	11-05-17 to 12-31-18
Director of City Utilities	Kumar Menon	01-01-17 to 12-31-18
Director of Community and Economic Development	Greg Leatherman	01-01-17 to 04-11-18
	(Vacant)	04-12-18 to 05-06-18
	Cindy Joyner	05-07-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE CITY OF FORT WAYNE, ALLEN 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 statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fort Wayne (City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 14, 2018. Our report includes a reference to other auditors who audited the financial statements of the Fort Wayne Urban Enterprise Association, Inc., Fort Wayne Public Transportation Corporation, and Community Development Corporation of Fort Wayne, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Fort Wayne Urban Enterprise Association, Inc., were not audited in accordance with *Governmental Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, 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 statements, 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.

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 statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, that we consider to be a material weakness.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City's financial statements are 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 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Fort Wayne'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 statements 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

June 14, 2018



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Fort Wayne's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017. 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.

The City's basic financial statements include the operations of the Fort Wayne Urban Enterprise Association, Inc., Fort Wayne Public Transportation Corporation, and Community Development Corporation of Fort Wayne that received \$8,463,994 (\$0 for UEA, \$3,768,341 for PTC, and \$4,695,653 for CDC) in federal awards, which are not included in the schedule for the year ended December 31, 2017. Our audit, described below, did not include the operations of the Fort Wayne Public Transportation Corporation and the Community Development Corporation of Fort Wayne because these organizational units engaged other auditors to perform the audit in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Fort Wayne Urban Enterprise Association, Inc., is not included because it engaged other auditors to perform an audit, and it did not require an audit in accordance with Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Uniform Guidance. Those standards and the Uniform Guidance 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

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.

Opinion on Each 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 each of its major federal programs for the year ended December 31, 2017.

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 the Uniform Guidance, 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.

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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002, that we consider to be a material weakness.


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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 14, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. 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 statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, 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 basic financial statements as a whole.


Paul D. Joyce, CPA
State Examiner

June 14, 2018

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

CITY OF FORT WAYNE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2017

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	Pass-Through To Subrecipient	Total Federal Awards Expended
<u>Department of Agriculture</u>					
Urban and Community Forestry Program		10.675			
	Direct		17-DG-11420004-009	\$ -	\$ 94,920
	Indiana Department of Natural Resources		E9-16-UFAS	-	10,000
Total - Urban and Community Forestry Program				-	104,920
Total - Department of Agriculture				-	104,920
<u>Department of Housing and Urban Development</u>					
CDBG - Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grants	Direct	14.218			
			B-14-MC-180003	-	158,527
			B-15-MC-180003	-	31,220
			B-16-MC-180003	-	188,568
			B-17-MC-180003	112,023	1,319,956
Total - CDBG - Entitlement Grants Cluster				112,023	1,698,271
Emergency Solutions Grant Program	Direct	14.231			
			E-15-MC-180003	54,792	54,792
			E-16-MC-180003	49,451	49,451
Total - Emergency Solutions Grant Program				104,243	104,243
Home Investment Partnerships Program	Direct	14.239			
			M-12-MC-180202	-	666,432
			M-13-MC-180202	-	311,659
			M-14-MC-180202	-	(5,096)
			M-15-MC-180202	-	72,088
			M-16-MC-180202	-	10,066
Total - Home Investment Partnerships Program				-	1,055,149
Neighborhood Stabilization Program	Direct	14.264			
			B-08-MN-18004	-	408,406
Total - Department of Housing and Urban Development				216,266	3,266,069
<u>Department of Interior</u>					
Historic Preservation Fund Grants-In-Aid	Indiana Department of Natural Resources	15.904			
			18-16FFY-02	-	6,891
Outdoor Recreation Acquisition, Development and Planning	Indiana Department of Natural Resources	15.916			
			18-00702	-	7,385
Total - Department of Interior				-	14,276
<u>Department of Justice</u>					
Missing Children's Assistance	Indiana State Police	16.543			
			A2-3-100-018	-	128
			A2-5-100-022	-	6,577
			A2-16-100-022	-	9,983
			A2-17-100-022	-	1,684
Total - Missing Children's Assistance				-	18,372
Crime Victim Assistance	Indiana Criminal Justice Institute	16.575			
			D3-17-11439	-	137,255
Violence Against Women Formula Grants	Indiana Criminal Justice Institute	16.588			
			D3-17-11366	-	74,192
			D3-18-12212	-	74,945
Total - Violence Against Women Formula Grants				-	149,137
Edward Byrne Memorial Justice Assistance Grant Program	Direct	16.738			
			2015-DJ-BX-0562	-	29,228
			2016-DJ-BX-0806	-	72,268
Total - Edward Byrne Memorial Justice Assistance Grant Program				-	101,496
Paul Coverdell Forensic Sciences Improvement Grant Program	Direct	16.742			
			2016-CD-BX-0077	-	69,580
Total - Department of Justice				-	475,840

CITY OF FORT WAYNE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2017

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	Pass-Through To Subrecipient	Total Federal Awards Expended
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
			0400587	-	212,721
			0901798	-	167,001
			0710322	-	123,454
			0810457	-	70,594
			1173162	-	1,695,017
Total - Highway Planning and Construction				-	2,268,787
Recreational Trails Program	Indiana Department of Transportation	20.219			
			0710990	-	166,142
Total - Recreational Trails Program				-	166,142
Total - Highway Planning and Construction Cluster				-	2,434,929
Highway Safety Cluster					
State and Community Highway Safety	Indiana Criminal Justice Institute	20.600			
			D3-17-11073	30,173	67,222
			D3-18-11876	11,025	34,414
Total - State and Community Highway Safety				41,198	101,636
Alcohol Impaired Driving Countermeasures Incentive Grants I	Indiana Criminal Justice Institute	20.601			
			D3-17-11165	1,788	99,547
			D3-18-12042	540	11,989
Total - Alcohol Driving Countermeasures Incentive Grants I				2,328	111,536
Total - Highway Safety Cluster				43,526	213,172
Total - Department of Transportation				43,526	2,648,101
<u>Environmental Protection Agency</u>					
Clean Water State Revolving Fund Cluster					
Capitalization Grants for Clean Water State Revolving Funds	Indiana Finance Authority	66.458			
			WW16060208-A	-	2,535,773
Total - Environmental Protection Agency				-	2,535,773
<u>Department of Homeland Security</u>					
Hazard Mitigation Grant	Indiana Department of Homeland Security	97.039			
			15677	-	41,043
			15308	-	8,378
Total - Hazard Mitigation Grant				-	49,421
Pre-Disaster Mitigation	Indiana Department of Homeland Security	97.047			
			EMC-2015-PC-0010	-	55,175
			EMC-2017-PC-0004	-	48,142
Total - Pre-Disaster Mitigation				-	103,317
Homeland Security Grant Program	Indiana Department of Homeland Security	97.067			
			EMW-2016-SS-00078	-	58,898
Staffing for Adequate Fire and Emergency Response (SAFER)	Direct	97.083			
			EMW-2014-FH-00287	-	743,275
Total - Department of Homeland Security				-	954,911
Total federal awards expended				\$ 259,792	\$ 9,999,890

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

CITY OF FORT WAYNE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2017

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City of Fort Wayne (City) under programs of the federal government for the year ended December 31, 2017. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-187, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. The Housing and Urban Development grants reported on the SEFA do or do not include program income depending on whether they are reimbursed on the Additive or Deductive Method.

Note 3. Community Development Corporation

A discrete component unit of the City, the Community Development Corporation of Fort Wayne (CDC), was audited by an outside CPA firm for the years 2010, 2011, 2012, 2013, 2014, 2015, 2016, and 2017. Results of these audits included a Section III – Federal Award Findings and Questioned Costs comment in these audit reports that has been repeated from 2010 to 2017 for CFDA No. 11.307 through the Economic Development Administration; Grant No. 06-19-01917; Title IX Implementation Grant Revolving Loan Fund. While the CDC is a discrete component unit and is included in the Comprehensive Annual Financial Report of the City, it is a separate entity and is not included on this Schedule of Expenditures of Federal Awards.

CITY OF FORT WAYNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
14.239	Home Investment Partnerships Program Clean Water State Revolving Fund Cluster	Unmodified Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	yes
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Section II - Financial Statement Findings

FINDING 2017-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness

Condition

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 didn't have a proper review over the preparation of the SEFA.

CITY OF FORT WAYNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Context

The lack of a proper system of internal control and proper review of the SEFA resulted in immaterial errors.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA could have remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the City's management establish controls related to the preparation of the SEFA.

Views of Responsible Officials

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

CITY OF FORT WAYNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2017-002

Subject: Clean Water State Revolving Fund Cluster - Reporting
Federal Agency: Environmental Protection Agency
Federal Program: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458
Federal Award Number and Year (or Other Identifying Number): WW16060208-A
Pass-Through Entity: Indiana Finance Authority
Compliance Requirement: Reporting
Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The City and City Utilities did not maintain a control environment over the MBE/WBE Utilization under Federal Grants and Cooperative Agreements reporting requirement of the Capitalization Grants for Clean Water State Revolving Funds - 2016 WW16060208-A federal grant program. This was an equivalency grant which is 100 percent federal. The required MBE/WBE report was due October 15 for each year the project was active. The report was appropriately filed on October 3 by a compliance officer in the CFW Purchasing/Compliance Department. The report was prepared by the compliance officer. However, the compliance officer stated that there was no review/approval as a key internal control in place.

Context

The lack of controls was a systemic issue 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). . . ."

Cause

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

CITY OF FORT WAYNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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



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City of Fort Wayne
Community Development
200 East Berry Street, Suite 320
Fort Wayne IN 46802
260.427.1127

COMMUNITY DEVELOPMENT

Thomas C. Henry, Mayor

www.fwcommunitydevelopment.org

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-001 - Reporting

Fiscal year in which the finding initially occurred: 2016

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Housing and Urban Development

Contact Person Responsible for Corrective Action: Kelly Lundberg, Deputy Director

Contact Phone Number: (260) 427-2158

Status of Audit Finding: New internal controls were established to ensure that OHNS has effective and timely management of compliance and reporting requirements. A new Policy and Procedure was created to guide preparation and submission of the Consolidated Annual Performance Evaluation Report and the Section 3 Report.

Kelly Lundberg
(Signature)

Deputy Director
(Title)

5/2/2018
(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) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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CITY OF FORT WAYNE

THOMAS C. HENRY, MAYOR

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Garry E. Morr, City Controller
Contact Phone Number: 260-427-5711

We concur with the finding.

Description of Corrective Action Plan:

Management has already taken measures to address concerns and put in a proper system of internal control to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City (OHNS Department) will maintain a Control Ledger providing detailed unreimbursed expenditures at year-end. Such Control Ledger will support the Receivables Accrual entry recorded at the end of the year.

Anticipated Completion Date: December 31, 2018



City Controller

Date: 06/12/2018

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CITY OF FORT WAYNE

THOMAS C. HENRY, MAYOR

CORRECTIVE ACTION PLAN

FINDING 2017-002

Contact Person Responsible for Corrective Action: Garry E. Morr, City Controller
Contact Phone Number: 260-427-5711

We concur with the finding.

Description of Corrective Action Plan:

The City Utilities Finance Director will review and approve the MBE/WBE before the report is filed annually by the due date of October 15.

Anticipated Completion Date: October 15, 2018



City Controller

Date: 06/12/2018

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OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.