

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF KOKOMO

HOWARD COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
11/03/2018

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|--|-------------------|----------------------|
| Controller | Randall J. Morris | 01-01-16 to 12-31-18 |
| Mayor | Gregory Goodnight | 01-01-16 to 12-31-19 |
| President of the Board of Public Works and Safety | Randy McKay | 01-01-16 to 12-31-18 |
| President of the Common Council | Robert Hayes, Sr. | 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 KOKOMO, HOWARD COUNTY, INDIANA

This report is supplemental to our audit report of the City of Kokomo (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, are 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

September 27, 2018

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DEPARTMENT OF AVIATION
CITY OF KOKOMO

DEPARTMENT OF AVIATION
CITY OF KOKOMO
FEDERAL FINDING

FINDING 2016-001

Subject: Airport Improvement Program - Cash Management
Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Numbers and Years (or Other Identifying Number): 3-18-0044-21, 3-18-0044-22
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

Condition

The City did not have an effective system of control in place over cash management for the Airport Improvement Program during the audit period to prevent, or detect and correct, noncompliance from occurring.

The City received \$250,754 from the Department of Transportation on October 13, 2016, to pay costs related to this grant, but the City did not make payment of program costs until November 23, 2016.

Context

The failure of controls and noncompliance were limited to this instance.

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

DEPARTMENT OF AVIATION
CITY OF KOKOMO
FEDERAL FINDING
(Continued)

(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). . . ."

2 CFR 200.305 Payment, Subpart (b) states in part:

"For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Cash Management compliance requirement.

Effect

The failure to establish an effective internal control system placed the City in noncompliance with the grant agreement and the Cash Management compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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



CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action:
Contact Phone Number:

Randall J. Morris, Controller
(765) 456-7450

Description of Corrective Action Plan: The city was aware of this internal control weakness and additional controls have been put in place to ensure that the disbursements are paid within 3 business days of the receipt of FAA payments.

Completion Date: Dec 1, 2016

A handwritten signature in black ink, appearing to read 'Randall J. Morris', written over a horizontal line.

Randall J. Morris
City Controller, City of Kokomo

DEPARTMENT OF AVIATION
CITY OF KOKOMO
EXIT CONFERENCE

The contents of this report were discussed on September 27, 2018, with Gregory Goodnight, Mayor; Randall J. Morris, Controller; Robert Hayes, Sr., President of the Common Council; Randy McKay, President of the Board of Public Works and Safety; Thu Caven, Deputy Controller; Susan Stewart, Board of Public Works and Safety member; Michael Wyant, Common Council member; Donnie Haworth, Common Council member; and Janie Young, Common Council member.