

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF MICHIGAN CITY

LAPORTE COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED

12/11/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Richard Murphy Yvonne Hoffmaster	01-01-19 to 12-31-19 01-01-20 to 12-31-20
Mayor	Ron Meer Duane Parry	01-01-19 to 12-31-19 01-01-20 to 12-31-20
President of the Board of Public Works and Safety	Stephen Janus Keith Harris (Vacant)	01-01-18 to 12-31-19 01-01-20 to 11-21-20 11-22-20 to 12-31-20
President of the Common Council	Donald Przybylinski Sean Fitzpatrick	01-01-19 to 12-31-19 01-01-20 to 12-31-20
Superintendent of the Water Utility	Randall Russell	01-01-19 to 12-31-20
President of the Water Utility Board of Directors	L.J. Jordan, III (Vacant) Kenneth Behrendt	01-01-19 to 07-02-19 07-03-19 to 07-22-19 07-23-19 to 12-31-20
General Manager of the Sanitary District	Michael Kuss	01-01-19 to 12-31-20
President of the Sanitary District Board of Commissioners	Garry Mitchell	01-01-19 to 12-31-20



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

TO: THE OFFICIALS OF THE CITY OF MICHIGAN CITY, LAPORTE 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 statement of the City of Michigan City (City), for the year ended December 31, 2019, and the related notes to the financial statement, which collectively comprise the City's financial statement and have issued our report thereon dated December 2, 2020, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, 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 statement, 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 City's financial statement 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 2019-001, that we consider to be material weaknesses.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City's financial statement is 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001.

City of Michigan City'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 statement 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

December 2, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE 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 MICHIGAN CITY, LAPORTE COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the City of Michigan City's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2019. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

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 the City's major federal program 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

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

Opinion on the 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 its major federal program for the year ended December 31, 2019.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 THE 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 statement of the City, as of and for the year ended December 31, 2019, and the related notes to the financial statement. We issued our report thereon dated December 2, 2020, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. 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 financial statement. 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 statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, 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 financial statement as a whole.


Paul D. Joyce, CPA
State Examiner

December 2, 2020

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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 approved by management of the City. The schedule and notes are presented as intended by the City.

CITY OF MICHIGAN CITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2019

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	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Commerce</u>					
Coastal Zone Management Administration Awards Winding Creek Cove Phase II	Indiana Department of Natural Resources	11.419	CZ 642	\$ -	\$ 32,551
Total - Department of Commerce				-	32,551
<u>Department of Housing and Urban Development</u>					
CDBG - Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grant	Direct				
CDBG 2016		14.218	B-16-MC-180022	-	120,283
CDBG 2017			B-17-MC-18022	-	231,168
CDGB 2018			B-18-MC-18022	86,064	339,792
CDBG 2019			B-19-MC-18022	-	1,695
Total - CDBG - Entitlement Grants Cluster				86,064	692,938
Total - Department of Housing and Urban Development				86,064	692,938
<u>Department of Justice</u>					
Equitable Sharing Program DEA Forfeiture	Direct	16.922		-	19,988
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction					
Singing Sands Lighthouse Trail Phase II	Indiana Department of Transportation	20.205	DES #1500324	-	65,820
Singing Sands Lighthouse Trail Phase III			DES #1601869	-	145,509
Singing Sands Lighthouse Trail Phase I			DES #301165	-	14,867
Total - Highway Planning and Construction Cluster				-	226,196
Federal Transit Cluster					
Federal Transit Formula Grants					
Transit Operating	Direct	20.507	IN-2016-02602	-	280,036
Transit Triangle			IN-2017-009-00	-	271,543
Transit Operating			IN-2018-002	-	785,080
Transit Operating			IN-2018-018	-	185,325
Transit Triangle			IN-95-0052	-	28,706
Total - Federal Transit Cluster				-	1,550,690

CITY OF MICHIGAN CITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2019

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	Passed Through to Subrecipient	Total Federal Awards Expended
Highway Safety Cluster State and Community Highway Safety Operation Pull Over	Indiana Criminal Justice Institute	20.600	OPO-2019-00063	-	5,153
Airport Improvement Program AIP 19 AIP 21	Direct	20.106	3-18-055-019 3-18-055-020	- -	14,953 14,287
Total - Airport Improvement Program				-	29,240
Total - Department of Transportation				-	1,811,279
<u>Environmental Protection Agency</u>					
Diesel Emissions Reduction Act (DERA) State Grants CNG Station Upgrades	Indiana Department of Environmental Management	66.040	DS00E667-04	-	112,500
Beach Monitoring and Notification Program Implementation Grants Beach Act Grant	Indiana Department of Environmental Management	66.472	305-5-220	-	22,035
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements Brownfield Grant	Direct	66.818	BF00EO2417	-	102,685
Total - Environmental Protection Agency				-	237,220
Total federal awards expended				\$ 86,064	\$ 2,793,976

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

CITY OF MICHIGAN CITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2019. 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.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *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.

Note 2. Indirect Cost Rate

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF MICHIGAN CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Federal Transit Cluster	Unmodified

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2019-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-001.

Condition and Context

There were several deficiencies in the internal control system of the City related to financial transactions and reporting. There was a lack of segregation of duties as the City had not separated incompatible activities related to cash and investments, financial reporting, and transfer receipts, and transfer disbursements.

CITY OF MICHIGAN CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cash and Investments

City

The City had employees who were responsible for ensuring that their respective ledgers were reconciled with the bank depository balances. Effective internal controls were not in place to ensure that the depository reconcilements were performed accurately and timely. Reconcilements for 2019 were not all performed until February 2020.

Water Department

The Water Department had employees who were responsible for ensuring that their ledgers were reconciled with the bank depository balances. Effective internal controls were not in place to ensure that the depository reconcilements were performed accurately and timely. The Water Transfer Bank Account was not being reconciled timely and at December 31, 2019, there was an unidentified variance of \$4,221. Reconcilements for 2019 were not completed as of December 2, 2020.

Transfer Receipts and Disbursements

Controls were not designed and implemented properly over transfer receipts and transfer disbursements. The following errors in transfers were not detected or corrected:

1. Transfers totaling \$2,243,289 were not certified by the fiscal officer or approved by the governing board either on an Accounts Payable Voucher (APV) or register of APVs.
2. Ordinance 4525, approved on August 20, 2019, authorized the transfer of funds (\$100,000) within the Riverboat Gaming fund, but funds were instead transferred to the General Fund.
3. Ordinance 4541, approved on December 17, 2019, authorized the transfer of funds within the Riverboat Gaming fund, but the funds were instead transferred to the General Fund (\$22,210) and the MC Promise Scholarship Fund (\$1,815).

Financial Reporting

Financial information for the Annual Financial Report (AFR) was submitted through the Indiana Gateway for Government Units financial reporting system. The AFR was the source for the City's financial statement. The City had designed internal controls over financial reporting; however, nothing was provided to document that controls had been properly implemented.

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:

CITY OF MICHIGAN CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

"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. Clear documentation should be maintained for continuity as well as ease of communication to outside parties. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Cause

Management of the City had not established or implemented a proper system of internal controls.

Effect

The failure to establish a proper system of internal controls enabled misstatements or irregularities to remain undetected.

CITY OF MICHIGAN CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

AUDITEE-PREPARED DOCUMENTS

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

City of Michigan City



Office of City Controller ~ Yvonne Hoffmaster, City Controller ~ Phone: 219 873-1404 ext. 2004 ~ email: yvonneh@emichigancity.com

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-001

Fiscal year in which the finding initially occurred: 2017

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: NA

Contact Person Responsible for Corrective Action: Richard Murphy – 2019

Yvonne Hoffmaster – 2020

Contact Phone Number: (219) 873-1404

Status of Audit Finding:

Description of Corrective Action Plan:

Due to our total financial software conversion that was implemented in 2018, personnel fell behind on bank reconciliations. For 2020, our action plan is to have all bank reconciliations completed in a timely manner effective January 31, 2020. The exception to this is the City's 8008 bank account, which was caught up in February 2020. This process will include a monthly review of bank reconciliations by a second person in the Controller's office. Going forward in 2020, the action plan is to have City, Water, and Sanitary bank reconciliations completed with 60 days following the end of the month.

Effective January 2020, the City has been stricter with our internal controls when verifying receipts with the corresponding bank accounts. Also, with the reconciliations being done in a timely manner, we will catch mistakes, like missing an EFT deposit, timelier.

Effective August 1, 2019, all journals prepared by the Controller 's office will be reviewed and approved by another employee with approval rights prior to posting.

Effective August 1, 2019 all disbursed funds through EFTs will be posted through the accounts payable system thereby places on a claims docket and will be approved the appropriate governing board.

Effective September 1, 2019 the Water Department submits monthly financials to the Controller and includes the cycle receipts journal as a source document. The Controller confirms receipt, reviews financials, and files them on the shared City Drive. The Controller's office receives the AFR information from the Water Department and enters data in Gateway.

Effective fiscal year 2020 with the preparation of the 2020 Annual Financial Report, all

DUANE PARRY ~ MAYOR

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City of Michigan City

worksheets and supporting documentation will be provided in order to support the amounts included in the Annual Financial Report and will be reviewed and signed off by the Controller 's office.

All items in the above corrective action plan were implemented during 2019 and 2020. In 2020, bank reconciliations are completed within 60 days of end of the month. Also, in 2020, most of the bank reconciliations are completed through the New World ERP software.



Yvonne Hoffmaster
City Controller
September 16, 2020

DUANE PARRY ~ MAYOR

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City of Michigan City



Office of City Controller ~ Yvonne Hoffmaster, City Controller ~ Phone: 219 873-1404 ext. 2004 ~ email: yvonneh@emichigancity.com

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-002

Fiscal year in which the finding initially occurred: 2017

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: NA

Contact Person Responsible for Corrective Action: Richard Murphy – 2019

Yvonne Hoffmaster – 2020

Contact Phone Number: (219) 873-1404

Status of Audit Finding: Corrected

Description of Corrective Action Plan:

Effective September 30, 2019, the City Controller's office will maintain a file containing all executed federal grant agreements. The Controller's office will review those grant agreements and monitor the receipts and disbursements to ensure that the federal SEFA is properly prepared.

Prior to submitting the 2019 Annual Financial Report, all prior grant funds will be reviewed to determine if the cash balances are correct and adjustments will be made if necessary.

This corrective action plan was implemented in 2019 and all the dormant grant funds from the prior software were closed at the end 2019 as reported on the 2019 AFR.

A handwritten signature in black ink that reads "Yvonne Hoffmaster".

Yvonne Hoffmaster
City Controller
September 16, 2020

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Office of City Controller ~ Yvonne Hoffmaster, City Controller ~ Phone: 219 873-1404 ext. 2004 ~ email: yvonneh@emichigancity.com

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-003

Fiscal year in which the finding initially occurred: 2018

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Transportation

Contact Person Responsible for Corrective Action: Richard Murphy – 2019

Yvonne Hoffmaster – 2020

Contact Phone Number: (219) 873-1404

Status of Audit Finding: Corrected

Description of Corrective Action Plan:

The ERC will request the Purchase Order end date and add the date to the LPA Invoice Voucher Purchase Order Tracking Log to ensure reimbursement requests are being made prior to the PO end date.

The ERC will prepare the LPA Invoice Voucher with the required supporting documentation to request reimbursement. The ERC will submit the Voucher to the Controller to review the Voucher for contract compliance. The Controller's office will review the invoice voucher to ensure the matching percentage agrees with the contract. The Controller's office will also review the expenditure and request dates to ensure expenditures were prior to the invoice voucher and the request is within 90 days of the project end date. Once reviewed and approved by the Controller by their signature and date, the voucher will be returned to the ERC for submission for reimbursement.

This corrective action plan was implemented in 2019.

A handwritten signature in black ink that reads "Yvonne Hoffmaster".

Yvonne Hoffmaster
City Controller
September 16, 2020

DUANE PARRY ~ MAYOR

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Office of City Controller ~ Yvonne Hoffmaster, City Controller ~ Phone: 219 873-1404 ext. 2004 ~ email: yvonneh@emichigancity.com

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-004

Fiscal year in which the finding initially occurred: 2018

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

Contact Person Responsible for Corrective Action: Sherry Wilson

Contact Phone Number: (219) 873-1419

Status of Audit Finding: Corrected

Description of Corrective Action Plan:

Internal Control will be corrected to alleviate risk related to achieving the defined objectives of the CDBG Grant. The City will prepare the Request for Release of Funds for the CDBG Grant Award. If necessary, the City will include the NEPA Form 3 in the administrative files for any projects that require a categorical exclusion.

The City will coordinate with the Inspection Department to issue a final inspection report after rehabilitation work has been performed at each site. An inspection report will be included in the unit file to certify rehabilitation activities.

This will ensure that the City establishes internal controls that are in compliance with the grant agreement and rehabilitation compliance requirements.

The above action plan was implemented in 2019. On August 12, 2020, the City received a letter from HUD stating that the City had resolved this audit finding. This corrective action plan is in the process of being added to our internal control policy.

A handwritten signature in black ink that reads "Yvonne Hoffmaster".

Yvonne Hoffmaster
City Controller
September 16, 2020

DUANE PARRY ~ MAYOR

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Office of City Controller ~ Yvonne Hoffmaster, City Controller ~ Phone: 219 873-1404 ext. 2004 ~ email: yvonneh@emichigancity.com

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-005

Fiscal year in which the finding initially occurred: 2018

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

Contact Person Responsible for Corrective Action: Sherry Wilson

Contact Phone Number: (219) 873-1419

Status of Audit Finding: Corrected

Description of Corrective Action Plan:

Internal Control will be corrected to alleviate risk related to achieving the defined objectives of the Community Development Block Grant. The City will establish internal controls to ensure compliance with activities allowed, disallowed and allowable cost(s) principals that are in compliance with federal grant requirements. The City will ensure all supporting documents are included with each voucher request and the appropriate files are maintained.

This will ensure that the City adheres to accurate accounting principles and remains in compliance with the applicable OMB Circular cost principles and the CDBG agreement requirements.

The above action plan was implemented in 2019. On August 12, 2020, the City received a letter from HUD stating that the City had resolved this audit finding. This corrective action plan is in the process of being added to our internal control policy.

A handwritten signature in black ink that reads "Yvonne Hoffmaster".

Yvonne Hoffmaster
City Controller
September 16, 2020

DUANE PARRY ~ MAYOR

City of Michigan City ~ City Hall ~ 100 East Michigan Blvd, Michigan City IN 46360
WEB ~ emichigancity.com

City of Michigan City



Office of City Controller ~ Yvonne Hoffmaster, City Controller ~ Phone: 219 873-1404 ext. 2004 ~ email: yvonneh@emichigancity.com

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-006

Fiscal year in which the finding initially occurred: 2018

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

Contact Person Responsible for Corrective Action: Sherry Wilson

Contact Phone Number: (219) 873-1419

Status of Audit Finding: Corrected

Description of Corrective Action Plan:

Internal Control will be corrected to alleviate risk related to achieving the defined objectives of the Community Development Block Grant. The City will coordinate with inter departments to include Systems for Award Management verifications and/or issuance of a suspension & debarment certification page for contractor signature requirement as part of the pre-bid award procedure.

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".

The above action plan was implemented in 2019. On August 12, 2020, the City received a letter from HUD stating that the City had resolved this audit finding. This corrective action plan is in the process of being added to our internal control policy.

A handwritten signature in black ink that reads "Yvonne Hoffmaster".

Yvonne Hoffmaster
City Controller
September 16, 2020

DUANE PARRY ~ MAYOR

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Office of City Controller ~ Yvonne Hoffmaster, City Controller ~ Phone: 219 873-1404 ext. 2004 ~ email: yvonneh@emichigancity.com

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-007

Fiscal year in which the finding initially occurred: 2018

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

Contact Person Responsible for Corrective Action: Sherry Wilson

Contact Phone Number: (219) 873-1419

Status of Audit Finding: Corrected

Description of Corrective Action Plan:

Internal Control will be corrected to alleviate risk related to achieving the defined objectives of the Community Development Block Grant. The CDBG department will review the quarterly SF-425 prepared by the Controller's office prior to submitting the SF-425 Federal Financial Report to HUD. The required CDBG annual reports will be reviewed by the Controller's office prior to submittal to HUD.

This will ensure the City maintains authorizations/permissions to Secure Systems and all other applicable federal grant reporting agencies to ensure compliance with the grant agreement and the reporting compliance requirement.

The above action plan was implemented in 2019. On August 12, 2020, the City received a letter from HUD stating that the City had resolved this audit finding. This corrective action plan is in the process of being added to our internal control policy.

A handwritten signature in black ink that reads "Yvonne Hoffmaster".

Yvonne Hoffmaster
City Controller
September 16, 2020

DUANE PARRY ~ MAYOR

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CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Yvonne Hoffmaster
Contact Phone Number: 219 873-1404 ext. 2004

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

As the financial conversion that carried into 2019, bank reconciliations were not completed timely as required. In February 2020, all City bank accounts had been reconciled through December 2019. Beginning in 2020, the 2nd Assistant Controller reconciles all the City bank accounts in a timely manner. The reconciliations are reviewed by the Assistant Controller, initialed, and dated following the review. This review has been extended to the Sanitary bank accounts and will begin in late 2020 for the Water Department accounts. Once all the accounts have been reviewed, they will be uploaded to Gateway as required.

The Water Department has corrected the issue with the reconciliation of Water Transfer bank account. Beginning December 2020, all Water Department bank reconciliations will be forwarded to the City Controller's Office for review and upload to Gateway as required.

The process for recording transfers has been improved in 2020. All transfers are entered in the accounts payable system as an EFT. The accounts payable system has the approval process build in and will be included on the appropriate board docket. Transfers in and out are also reconciled quarterly by the Assistant Controller.

In 2019, some Ordinances and/or Resolutions were not processed properly. Beginning in January 2020, all Transfer Ordinance/Resolutions and Additional Appropriation Ordinances will be processed properly.

Beginning with the 2020 Annual Financial Report, the City Controller will print out the 'Cash & Investment Combined Statement' of the Annual Financial Report, review it with the year-end financials, initial and date the report, and hold for SBOA review during the audit.

Anticipated Completion Date: Each item has been completed or will be completed as noted in each paragraph.

A handwritten signature in black ink that reads "Yvonne Hoffmaster".

Yvonne Hoffmaster
City Controller
December 2, 2020

DUANE PARRY ~ MAYOR

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/>.