

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF HUNTINGTON

HUNTINGTON COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
03/01/2022

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Result and Comment:	
Accounting for IFA Administered Coronavirus Relief Fund Grant	6-7
Exit Conference	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Christi A. McElhaney	01-01-20 to 12-31-22
Mayor	Richard Strick	01-01-20 to 12-31-22
President of the Board of Public Works and Safety	Richard Strick	01-01-20 to 12-31-22
President Pro Tempore of the Common Council	Charles E. Chapman	01-01-20 to 12-31-22
Utility Office Manager	Marilyn K. Ratliff	01-01-20 to 12-31-22



STATE OF INDIANA
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TO: THE OFFICIALS OF THE CITY OF HUNTINGTON, HUNTINGTON COUNTY, INDIANA

This report is supplemental to our audit report of the City of Huntington (City), for the period from January 1, 2020 to December 31, 2020. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement Audit Report of the City, which provides our opinions on the City's financial statement. This report may be found at www.in.gov/sboa/.

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 Official Response to the Audit Result and Comment, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

February 14, 2022

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CLERK-TREASURER
CITY OF HUNTINGTON

CLERK-TREASURER
CITY OF HUNTINGTON
AUDIT RESULT AND COMMENT

ACCOUNTING FOR THE IFA ADMINISTERED CORONAVIRUS RELIEF FUND GRANT

Condition and Context

The City did not properly account for the Coronavirus Relief Fund (CRF) grant money in accordance with State Examiner Directive 2020-3 (Directive).

The City established a fund that they entitled CARES Act Provider Relief Fund. The CARES Act Provider Relief Fund name is reserved for distributions related to Medicare fee-for-service and should be numbered 264. In this case it was numbered 150, and instead of being used for CARES Provider Relief purposes, was used to account for the CRF money received from the Indiana Finance Authority (IFA). While the naming convention was incorrect, the fund number would be appropriate for IFA receipts.

The City received two reimbursements from the IFA for CRF expenditures in November 2020. Reimbursement Request 1-2 in the amount of \$513,086 was for public safety payroll expenditures made from several funds. The City receipted the IFA payroll reimbursement into Fund 150. The City then made additional purchases out of Fund 150 for items that were not included on either Reimbursement Request 1-1 or 1-2, and which were expended without appropriation.

The Common Council passed Resolution 17-R-20 at the end of 2020, approving a transfer from Fund 150 to the General Fund to bring the CARES Act Provider Relief Fund balance to zero. The amount of the transfer was \$206,531.

Criteria

State Memorandum entitled, *Cares Act Fund Numbers*, April 20, 2020, states in part:

"Your unit may be receiving federal funds from the CARES Act Provider Relief Fund. Units which received Medicare fee-for-service (FFS) reimbursements in 2019 are eligible for this initial rapid distribution. If your unit qualifies, you will automatically receive payment. . . .

To properly track assistance from the Provider Relief Fund, use the following Fund Number and Name: . . .

Cities and Towns Fund Number and Name

264 CARES Provider Relief Fund . . ."

Reimbursed Public Health and Safety Payroll Costs

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

Option One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

CLERK-TREASURER
CITY OF HUNTINGTON
AUDIT RESULT AND COMMENT
(Continued)

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once option one is completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

Option Two: Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020. . . .**

Reimbursed Costs Other than Public Health and Safety Payroll Costs

Transactions for other permitted costs reimbursed by IFA must be accounted for through one of the following prescribed frameworks.

Framework One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. Reimbursed disbursements originally incurred in another fund will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the fund cash balance and re-appropriate the fund in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the original fund, it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

Framework Two. If IFA has provided reimbursement based on unpaid invoices or purchase orders, then reimbursements received from IFA shall be receipted into the separate CARES grant fund. The expenditures to vendors will be made through the CARES grant fund and these expenditures must match the application made to IFA. If the actual invoice or invoices relating to a purchase order is less than the purchase order, then the difference in the money expended to the vendor and the amount received for the purchase order from IFA must be returned to IFA. The items on the invoice must match the items on the purchase order. All documentation must be maintained.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. (State Examiner Directive 2020-3)**

CLERK-TREASURER
CITY OF HUNTINGTON
EXIT CONFERENCE

The contents of this report were discussed on February 14, 2022, with Christi A. McElhaney, Clerk-Treasurer; Richard Strick, Mayor; Charles E. Chapman, President Pro Tempore of the Common Council; and Todd Johnson, Common Council member.