

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF WEST LAFAYETTE

TIPPECANOE COUNTY, INDIANA

January 1, 2022 to December 31, 2022



**FILED**

08/03/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Peter L. Gray	01-01-22 to 12-31-23
City Clerk	Sana G. Booker	01-01-22 to 12-31-23
Mayor	John R. Dennis	01-01-22 to 12-31-23
President of the Board of Public Works and Safety	Sana G. Booker	01-01-22 to 12-31-23
President of the Common Council	Peter Bunder	01-01-22 to 12-31-23
Utility Office Manager	David Henderson	01-01-22 to 12-31-23



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 WEST LAFAYETTE, TIPPECANOE 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 West Lafayette (City), for the year ended December 31, 2022, and the related notes to the financial statement, which collectively comprise the City's financial statement and have issued our report thereon dated May 31, 2023, 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.

***Report on 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) as a basis for designing 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, as described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002, 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)

***Report on 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 items 2022-001 and 2022-002.

***City of West Lafayette's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. 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.



Beth Kelley, CPA, CFE  
Deputy State Examiner

May 31, 2023



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 WEST LAFAYETTE, TIPPECANOE COUNTY, INDIANA

**Report on Compliance for the Major Federal Program**

***Qualified Opinion***

We have audited the City of West Lafayette'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, 2022. 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.

***Qualified Opinion on COVID-19 - Coronavirus State and Local Fiscal Recovery Funds***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the 21.027 COVID-19 - Coronavirus State and Local Fiscal Recovery Funds for the year ended December 31, 2022.

**Basis for Qualified Opinion**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

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)

*Matter Giving Rise to Qualified Opinion on COVID-19 - Coronavirus State and Local Fiscal Recovery Funds*

As described in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding 21.027 COVID-19 - Coronavirus State and Local Fiscal Recovery Funds, as described in item 2022-003 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Procurement and Suspension and Debarment, and Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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)

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2022-004. Our opinion on the major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The City's response to the noncompliance 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.

**Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2022-003 and 2022-004, to be material weaknesses.

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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* require the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other 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 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, 2022, and the related notes to the financial statement. We issued our report thereon dated May 31, 2023, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed 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.



Beth Kelley, CPA, CFE  
Deputy State Examiner

May 31, 2023

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.

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CITY OF WEST LAFAYETTE  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2022

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<b><u>Department of Housing and Urban Development</u></b>					
CDBG - Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grants	Direct Grant	14.218			
CDBG 2018-2019			B-18-MC-18-0009	\$ -	\$ (90,279)
CDBG 2019-2020			B-19-MC-19-0009	-	69,137
CDBG 2020-2021			B-20-MC-20-0009	-	38,454
CDBG 2021-2022			B-21-MC-18-0009	-	260,915
CDBG 2022-2023			B-22-MC-22-0009	-	32,817
Sub-total - Community Development Block Grants/Entitlement Grants				-	311,044
COVID-19 - Community Development Block Grants/Entitlement Grants	Direct Grant	14.218	B-20-MW-18-0009	-	146,005
CDBG 2020-2021				-	
Total - Community Development Block Grants/Entitlement Grants				-	457,049
Total - CDBG - Entitlement Grants Cluster				-	457,049
Total - Department of Housing and Urban Development				-	457,049
<b><u>Department of Justice</u></b>					
Bulletproof Vest Partnership Program	Direct Grant	16.607			
Bulletproof Vest Program			OMB #1121-0235	-	6,408
Edward Byrne Memorial Justice Assistance Grant Program	Indiana Criminal Justice Institute	16.738			
2020 Edward Byrne Memorial			JAG 2022-00058-FR1	-	71,899
Total - Department of Justice				-	78,307
<b><u>Department of Transportation</u></b>					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
Soldiers Home Road			A-249-15-L140040	-	129,151
Sagamore Pkwy Trail			A-249-15-L140038	-	60,519
Total - Highway Planning and Construction				-	189,670
Total - Highway Planning and Construction Cluster				-	189,670
Highway Safety Cluster					
State and Community Highway Safety	City of Lafayette	20.600			
CHIRP			CHIRP-2020-00019	-	2,560
Total - State and Community Highway Safety				-	2,560
Total - Highway Safety Cluster				-	2,560
Total - Department of Transportation				-	192,230
<b><u>Department of the Treasury</u></b>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Direct Grant	21.027			
ARPA			CY 2021	350,000	3,240,319
Total - Department of the Treasury				350,000	3,240,319
Total federal awards expended				\$ 350,000	\$ 3,967,905

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

CITY OF WEST LAFAYETTE  
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, 2021. 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. Negative amounts shown on the SEFA represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**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 WEST LAFAYETTE  
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?	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 Program and type of auditor's report issued on compliance for it:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Qualified

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

Auditee qualified as low-risk auditee?	no
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**Section II - Financial Statement Findings**

**FINDING 2022-001**

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

*Condition and Context*

There were deficiencies in the internal control system of the City related to financial transactions and reporting.

The City had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the City's financial statement.

CITY OF WEST LAFAYETTE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The City failed to properly review the financial information prepared and submitted in Gateway. Although one employee prepared and entered the financial information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

Due to the lack of internal controls, the financial statement presented for audit contained the following errors:

1. The INPRS fund was omitted, which understated both receipts and disbursements by \$2,498,348.
2. General fund receipts, disbursements, and ending cash and investments balance were overstated by \$2,087,859, \$2,086,269, and \$1,590, respectively.
3. The WL Building Corp 2011 Bonds Fund was incorrectly included on the financial statement. This caused beginning cash and investments balance, receipts, disbursements, and ending cash and investments balance to be overstated by \$242,895, \$227,456, \$443,913, and \$26,438, respectively.

Audit adjustments were proposed, accepted by the City, and made to the financial statement presented in the Financial Statement Audit Report.

*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. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

CITY OF WEST LAFAYETTE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

Management had not established a system of internal controls that would ensure proper reporting of the financial statement.

*Effect*

Without a proper system of internal controls in place that operated effectively, misstatements or irregularities remained undetected. The financial statement included the errors identified in the *Condition and Context*.

*Views of Responsible Officials*

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

**FINDING 2022-002**

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

*Condition and Context*

The City had not established internal controls over the federal award information entered in the Indiana Gateway for Government Units financial reporting system, which was the source of the City's Schedule of Expenditures of Federal Awards (SEFA). The City did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the SEFA.

Due to the lack of internal controls, the SEFA presented for audit included the following errors:

1. The Highway Planning and Construction Cluster expenditures were overstated by \$233,774.
2. The Community Development Block Grants/Entitlement Grants expenditures were overstated by \$98,330.
3. Other errors included incorrect program names.

Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report.

*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 WEST LAFAYETTE  
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. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control . . ."

2 CFR 200.1 states in part:

". . . *Internal controls* for non-Federal entities means:

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:

- (i) Effectiveness and efficiency of operations;
- (ii) Reliability of reporting for internal and external use; . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510. . . ."

CITY OF WEST LAFAYETTE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.510(b) states:

*"Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414."

*Cause*

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

*Effect*

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

*Views of Responsible Officials*

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

CITY OF WEST LAFAYETTE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2022-003**

Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Procurement and Suspension and Debarment, Subrecipient Monitoring

Federal Agency: Department of the Treasury

Federal Program: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

Assistance Listings Number: 21.027

Federal Award Number and Year (or Other Identifying Number): CY2021

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Procurement and Suspension and Debarment, Subrecipient Monitoring

Audit Findings: Material Weakness, Modified Opinion

*Condition and Context*

The City made a payment to a non-profit agency (non-profit) in the amount of \$350,000. The City could not provide documentation to support whether the non-profit was considered by the City to be a beneficiary or a subrecipient of State and Local Fiscal Recovery Funds (SLFRF). Documentation presented for audit to support the payment was an invoice from the non-profit and the City's approved Recovery Plan, neither of which included sufficient evidence to determine the relationship between the two entities. Due to the lack of sufficient audit evidence, we were unable to identify whether the payment was to a beneficiary or a subrecipient in order to perform the required corresponding audit procedures.

If the non-profit had been determined by the City to be a subrecipient, the City would have been required to complete monitoring procedures designated for subrecipient relationships, including ensuring the non-profit complied with federal statutes, regulations, and the terms and conditions of the federal award. In addition, the City did not perform procedures to verify if the non-profit was suspended or debarred or otherwise prohibited from participating in federal awards prior to issuing the payment.

Furthermore, the City did not have policies or procedures as part of a proper internal control system in place to ensure payments made from SLFRF funds were free of conflicts of interest. A conflict of interest arises when an employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated, has a financial or other interest in or a tangible personal benefit from an entity considered for a payment. The Chief Executive Officer of the non-profit at the time that the payment of \$350,000 was received was also the wife of the President of the Common Council. The President of the Common Council did not have a conflict-of-interest statement filed to disclose the circumstance, nor did the President of the Common Council abstain from voting on the City's plan for utilizing the SLFRF funding, which included the payment to the non-profit.

In addition to the payment to the non-profit, the City paid premium pay, totaling \$50,000, to ten exempt employees whose earnings exceeded the 150 percent of the average annual wage threshold. The City was required to notify the U.S. Department of the Treasury if the employees were classified as exempt or if the employees' wages were over the threshold. The City did not submit a reasoning for the premium pay payments. We consider the \$400,000 paid to the non-profit and the employees to be questioned costs.

The lack of internal controls and noncompliance were isolated to the payments as described above.

CITY OF WEST LAFAYETTE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*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). . . ."

31 CFR 35.6(b) states in part:

"Responding to the public health emergency or its negative economic impacts. A recipient may use funds to respond to the public health emergency or its negative economic impacts if the use meets the criteria provided in paragraph (b)(1) of this section or is enumerated in paragraph (b)(3) of this section; . . ."

(1) *Identifying eligible responses to the public health emergency or its negative impacts.*

(i) A program, service, or capital expenditure is eligible under this paragraph (b)(1) if a recipient identifies a harm or impact to a beneficiary or class of beneficiaries caused or exacerbated by the public health emergency or its negative impacts and the program, service, or capital expenditure responds to such harm. . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles. . . .

(g) be adequately documented. . . ."

31 CFR 35.3 states in part: ". . . *Obligation* means an order placed for property and services and entering into contracts, subawards, and similar transactions that require payment. . . ."

Federal Register, Vol. 87, No.18, page 4400, states in part:

". . . as part of accepting the Award Terms and Conditions for SLFRF, each recipient agreed to maintain a conflict-of-interest policy consistent with 2 CFR 200.318(c) that is applicable to all activities funded with the SLFRF award. This award term requires recipients and subrecipients to report to Treasury or the pass-through agency, as appropriate, any potential conflict of interest related to the award funds per 2 CFR 200.112. . . ."

CITY OF WEST LAFAYETTE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.112 states:

"The Federal awarding agency must establish conflict of interest policies for Federal awards. The non-Federal entity must disclose in writing any potential conflict of interest to the Federal awarding agency or pass-through entity in accordance with applicable Federal awarding agency policy."

2 CFR 200.318(c)(1) states in part:

"The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing actions of its employees engaged in the selection, award and administration of contracts. No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. . . ."

*Coronavirus State and Local Fiscal Recovery Funds: Overview of the Final Rule*, pages 35-36, states in part:

"The Coronavirus State and Local Fiscal Recovery Funds may be used to provide premium pay to eligible workers performing essential work during the pandemic. Premium pay may be awarded to eligible workers up to \$13 per hour. Premium pay must be in addition to wages or remuneration (i.e., compensation) the eligible worker otherwise receives. Premium pay may not exceed \$25,000 for any single worker during the program. . . ."

**3. Confirm that the premium pay 'responds to' workers performing essential work during the COVID-19 public health emergency.** Under the final rule, which broadened the share of eligible workers who can receive premium pay without a written justification, recipients may meet this requirement in one of three ways:

- Eligible worker receiving premium pay is earning (with the premium included) at or below 150 percent of their residing state or county's average annual wage for all occupations, as defined by the Bureau of Labor Statistics' [Occupational Employment and Wage Statistics](#), whichever is higher, on an annual basis; or
- Eligible worker receiving premium pay is not exempt from the Fair Labor Standards Act overtime provisions; or
- If a worker does not meet either of the above requirements, the recipient must submit written justification to Treasury detailing how the premium pay is otherwise responsive to workers performing essential work during the public health emergency. This may include a description of the essential worker's duties, health, or financial risks faced due to COVID-19, and why the recipient determined that the premium pay was responsive. Treasury anticipates that recipients will easily be able to satisfy the justification requirement for front-line workers, like nurses and hospital staff. . . ."

CITY OF WEST LAFAYETTE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

The system of internal controls as established by management of the City was not properly designed, nor implemented. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect City management's views of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies. These policies and procedures should include the preparation and retention of appropriate documentation to support a determination of the relationship with the non-profit. Additionally, policies and procedures were not in place to ensure conflict-of-interest statements or written justification for the premium pay paid to employees were filed as required.

*Effect*

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result of the failure to identify, as well as document the relationship with the non-profit, the City's compliance with the applicable compliance requirements could not be verified. If the City had determined the non-profit to be a subrecipient, the City would have been responsible for monitoring the non-profit, and additional audit procedures related to subrecipient monitoring would have been required. The failure to file a conflict-of-interest statement and abstain from voting on matters related to the SLFRF funds caused the payment to the non-profit to be a questioned cost of the federal award. Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions of the federal award could result in the loss of future federal funding to the City.

*Questioned Costs*

Known questioned costs in the amount of \$400,000 were identified as noted in the *Condition and Context*.

*Recommendation*

We recommended that management of the City design and implement a proper system of internal controls and develop policies and procedures to ensure adequate supporting documentation is retained to be presented for audit and that appropriate conflict-of-interest statements are filed.

*Views of Responsible Officials*

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

**FINDING 2022-004**

Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Reporting  
Federal Agency: Department of the Treasury  
Federal Program: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds  
Assistance Listings Number: 21.027  
Federal Award Number and Year (or Other Identifying Number): CY 2021  
Compliance Requirement: Reporting  
Audit Findings: Material Weakness, Other Matters

CITY OF WEST LAFAYETTE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition and Context*

The City had not properly designed or implemented a system of internal controls that would likely be effective in preventing, or detecting and correcting, noncompliance. Recipients are required to submit quarterly or annually Project and Expenditure (P&E) reports to the U.S. Department of the Treasury (Treasury). The reporting periods, as well as the respective due dates are based upon type of recipient and its population, as well as the recipient's allocation amount. Information to be reported includes projects funded, expenditures, and contracts for the appropriate reporting period.

The City was classified as a metropolitan city with a population below 250,000 residents that received an allocation of more than \$10 million in State and Local Fiscal Recovery Funds (SLFRF). As such, the initial P&E report, covering the calendar quarters from March 3, 2021 to December 31, 2021, was required to be submitted to the Treasury by January 31, 2022. The subsequent quarterly reports are to cover one calendar quarter and must be submitted to the Treasury by the last day of the month following the end of the period covered.

The City submitted four P&E reports during the audit period; however, a single employee prepared and submitted each P&E report without a review or oversight process in place to prevent, or detect and correct, errors.

All four of the quarterly reports filed during the audit period were selected for testing. The report due October 31, 2022, incorrectly reported the subrecipient key line item. A vendor was reported as a subrecipient, but should not have been classified as such.

The lack of internal controls and the noncompliance were systemic issues 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). . . ."

*Coronavirus State and Local Fiscal Recovery Funds Compliance and Reporting Guidance*, page 10, states in part:

". . . **Reporting.** All recipients of federal funds must complete financial, performance, and compliance reporting as required and outlined in Part 2 of this guidance. Expenditures may be reported on a cash or accrual basis, as long as the methodology is disclosed and consistently applied. Reporting must be consistent with the definition of expenditures pursuant to 2 CFR 200.1. Your organization should appropriately maintain accounting records for compiling and reporting accurate, compliant financial data, in accordance with appropriate accounting standards and principles. . . ."

CITY OF WEST LAFAYETTE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

31 CFR 35.4(c) states in part: "*Reporting and requests for other information.* During the period of performance, recipients shall provide to the Secretary periodic reports providing detailed accounting of the uses of funds, . . ."

*Cause*

A proper system of internal controls over the P&E report was not designed by management of the City. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the City's management of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

*Effect*

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions of the federal award could result in the loss of future federal funding to the City.

In addition, not meeting the SLFRF reporting requirements increases the likelihood that the public will not have access to transparent and accurate information regarding expenditures of federal awards.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that management of the City design and implement a proper system of internal controls that would ensure appropriate reviews, approvals, and oversight are taking place. Additionally, management should develop policies and procedures to ensure that the City provides the Treasury with complete and accurate information for the P&E report.

*Views of Responsible Officials*

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

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AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the City. The document is presented as intended by the City.



## Corrective Action Plan

Finding 2022-001

Contact Person: Peter Gray *PSG*  
Contact Phone: 765-775-5150

### Views of Responsible Official:

1. The INPRS Fund is simply an in-house clearing account. It had a zero balance at the beginning of the year and a zero balance at the end of the year. The City did not receive additional funds in the amount in question, nor did the City disburse any additional funds in the amount in question. I understand this is simply an administrative entry.
2. The \$1,590 difference of the ending balance in the General Fund is immaterial. The amounts of the receipts and disbursements that were reported inadvertently reflect only the month of December rather than the entire year. The beginning and ending balances are correct as reported.
3. The WL Building Corp falls under the auspicious of the City. Since there is not another reporting instrument for building corporations, by default it should be reported in the WL Civil Annual Financial Report (AFR). I understand this is an administrative entry to focus on core activities of WL Civil.

We concur with the finding.

### Corrective Action:

- A. Reviewing the AFR prior to submission, will be added to the responsibilities of the Deputy Controller, which was newly created in 2022. This additional layer of review will ensure proper internal controls for submitting the AFR.

Anticipated Completion Date: 30 June 2023



## Corrective Action Plan

Finding 2022-002

Contact Person: Peter Gray *PSG*

Contact Phone: 765-775-5150

### Views of Responsible Official:

1. Documentation from the Auditor of State does not contain detailed information on what is being paid. All remittance amounts are lumped into a single sum for the day without regard to the source of those funds.
2. Per HUD regulations, funds were required to be returned to HUD. Gateway does not provide a succinct way to report when funds returned exceed funds disbursed.
3. CDBG funds were reported in the correct year. However, the 2020-2021 HUD year contained two program names that were combined into a single line on the report.

We concur with the finding.

### Corrective Action:

- A. The City will work with the Auditor of State to determine how to discern the funding sources for amounts remitted to the City.
- B. The City will develop a reconciliation report for all CDBG program years.

Anticipated Completion Date: 31 August 2023



## Corrective Action Plan

Finding 2022-003

Contact Person: Peter Gray *PG*  
Contact Phone: 765-775-5150

### Views of Responsible Official:

1. The US Treasury uses the term “Subrecipient” in multiple ways. It has multiple meanings in the SLFRF reporting structure. “Beneficiary”, “Contractor”, and “Subrecipient” are all entity types under the broader category of “Subrecipient”. In the “Expenditures” area, the only field to record the entity that receives funds is labeled as “Subrecipient Name”. The City will review the criteria and document the proper category for any current fund recipients, as well as any future fund recipients.
2. The Clerk is in the process of developing and implementing a procedure for all elected officials to review and document potential conflicts of interest.
3. The City did prepare a letter concerning the employees over the threshold. When the SBOA was asked where the letter should be sent, the response was that they did not have an address, so to keep the letter on file and be prepared to present it during an audit. Future correspondence to the US Treasury will be documented via a mail tracking carrier (e.g. certified letter, FedEx, UPS, etc).

We concur with the finding.

### Corrective Action:

- A. An additional layer of review has been initiated. The Director of Development is familiar with the requirements of the SLFRF guidance and will review and sign off on future reports.

Anticipated Completion Date: 30 August 2023



## Corrective Action Plan

Finding 2022-004

Contact Person: Peter Gray *PLG*  
Contact Phone: 765-775-5150

### Views of Responsible Official:

1. There were no material cost issues in the overall report. There was a categorization error. This was discussed in Finding 2022-003.
2. The Revenue Loss expenditures were all valid personnel costs. Over 80% of the costs are police & fire. Other various city departments comprise the balance of the expenditure.

We concur with the finding.

### Corrective Action:

- A. An additional layer of review has been initiated. The Director of Development is familiar with the requirements of the SLFRF guidance and will review and sign off on future reports.

Anticipated Completion Date: 30 June 2023

## 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/>.