

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF KOKOMO

HOWARD COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED

08/02/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Weston Reed	01-01-22 to 12-31-23
Mayor	Tyler Moore	01-01-22 to 12-31-23
President of the Board of Public Works	Weston Reed	01-01-22 to 12-31-23
President of the Common Council	Ray Collins	01-01-22 to 12-31-23
Superintendent of Wastewater	Chris Cooper	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 KOKOMO, HOWARD 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 Kokomo (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 July 17, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

July 17, 2023



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

TO: THE OFFICIALS OF THE CITY OF KOKOMO, HOWARD COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the City of Kokomo's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs.

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

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified and Unmodified Opinions* 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 COVID-19 - Coronavirus State and Local Fiscal Recovery Funds for the year ended December 31, 2022.

Unmodified Opinion on the Other Major Federal Programs

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 other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2022.

Basis for Qualified and Unmodified Opinions

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 EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

***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, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the City with 21.027 COVID-19 - Coronavirus State and Local Fiscal Recovery Funds, as described in item 2022-002 for Procurement and Suspension and Debarment. Consequently, we were unable to determine whether the City complied with those 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 EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Other Matters

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 and significant deficiencies.

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 item 2022-002, 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. We consider the deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001, to be significant deficiencies.

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 EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

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

We have audited the financial 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 July 17, 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

July 17, 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 KOKOMO
 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
Department of Agriculture					
Rural Business Enterprise Grants USDA Rev Loan Fund	Direct Grant	10.769	FY 2021	\$ -	\$ 26,844
Total - Department of Agriculture				-	26,844
Department of Commerce					
Economic Development Cluster COVID-19 - Economic Adjustment Assistance EDA CARES ACT Recovery Assistance RLF	Direct Grant	11.307	06-79-06236	-	340,521
Total - Economic Development Cluster				-	340,521
Total - Department of Commerce				-	340,521
Department of Housing and Urban Development					
CDBG - Entitlement Grants Cluster Community Development Block Grants/Entitlement Grants HUD CDBG 2015 HUD-CDBG 2016 HUD-CDBG 2017 HUD CDBG 2020 HUD CDBG 2021 HUD-CDBG 2022	Direct Grant	14.218	B15-MC-18-0014 B16-MC-18-0014 B17-MC-18-0014 B20-MC-18-0014 B21-MC-18-0014 B22-MC-18-0014	- - - - 78,932 40,107	77,097 53,948 24,655 270,311 271,535 50,462
Subtotal - Community Development Block Grants/Entitlement Grants				119,039	748,008
COVID-19 - Community Development Block Grants/Entitlement Grants CDBG CV 2020	Direct Grant	14.218	B20-MW-18-0014	-	463,739
Total - Community Development Block Grants/Entitlement Grants				119,039	1,211,747
Total - CDBG - Entitlement Grants Cluster				119,039	1,211,747
Total - Department of Housing and Urban Development				119,039	1,211,747
Department of Justice					
COVID-19 - Coronavirus Emergency Supplemental Funding Program BJA FY20 Coronavirus Emergency Supplemental Funding Program	Bureau of Justice Assistance	16.034	2020-VD-BX-1524	-	26,780
Missing Children's Assistance PO222 ICAC	Indiana State Police	16.543	2020-MC-FX-K008	-	4,076
Bulletproof Vest Partnership Bulletproof vest 50/50 partnership PO-521	Direct Grant	16.607	FY2021	-	10,400
Edward Byrne Memorial Justice Assistance Grant Program PO321 2021 JAG Grant PO322 2022 JAG Grant PO319 2019 JAG Grant	Direct Grant	16.738	15PBJA-21-GG-01477-JAGX 15PBJA-22-GG-02372-JAGX 2019-DJ-BX-0279	- - -	25,640 35,925 2,285
Total - Edward Byrne Memorial Justice Assistance Grant Program				-	63,850

CITY OF KOKOMO
 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
Equitable Sharing Program Police Equitable Sharing	Direct Grant	16.922	2022 Distribution	-	8,563
Total - Department of Justice				-	113,669
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction SMITH Smith road Preliminary Eng Lincoln & Berkley Intersection Impr W Added Travel Lanes Center Trail Fr SR931 to Dixon Lincoln & Berkley Construction Engineer Center Trail Right of Way	Indiana Department of Transportation	20.205	DES #2002563 DES 1900780 DES NO 1901304 DES1900780 DES1901304	- - - - -	120,116 8,774 28,648 60,642 6,875
Total - Highway Planning and Construction				-	225,055
Total - Highway Planning and Construction Cluster				-	225,055
Federal Transit Cluster Federal Transit Formula Grants FTA16 Federal Transit Formula Grant 2016 FTA18 Federal Transit Formula Grant FTA19 Federal Transit Formula Grant 2019 FTASW STBG Flex Funding Multimodal Transit FTA20 Federal Transit Formula Grant 2020 FTABB. Transit STBG Flex Bus Barn Replacement FTA21 Federal Transit Formula Grant 2021	Direct Grant	20.507	IN-2016-034-00 IN-2018-015-00 IN-2019-010-00 IN-2020-005-00 IN-2020-017-00 IN-2020-036-00 IN-2021-044-00	- - - - - - -	23,386 3,126 5,280 329,790 897,035 950,467 187,624
Total - Federal Transit Formula Grants				-	2,396,708
Total - Federal Transit Cluster				-	2,396,708
Highway Safety Cluster State and Community Highway Safety PO420E Administration PO420 Click It to Live It PO420C HVE Motorcycle	Indiana Criminal Justice Institute	20.600	CHIRP-2022-00001 CHIRP-2022-00001 CHIRP-2022-00001	- - -	386 23,284 2,097
Total - State and Community Highway Safety				-	25,767
National Priority Safety Programs PO420F Stop Arm Violation Enforcement PO420A Non-Motorist Grant	Indiana Criminal Justice Institute	20.616	SAVE-2022-00009 CHIRP-2022-00044	- -	8,885 3,853
Total - National Priority Safety Programs				-	12,738
Total - Highway Safety Cluster				-	38,505
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs AI30 14/32 Rehab Construction & Cons Eng 100% FAA AI32 Install Underdrains for Runway 5-23 (Design/Bid/Construction)	Direct Grant	20.106	3-18-0044-030-2020 3-18-0044-032-2021	- -	50,144 432,266
Total - Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs				-	482,410

CITY OF KOKOMO
 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
Minimum Penalties for Repeat Offenders for Driving While Intoxicated PO420B Summer Impaired Driving Enf PO420D Distracted Driving Grant	Indiana Criminal Justice Institute	20.608	CHIRP-2022-00001 CHIRP-2022-00001	- -	3,675 5,822
Total - Minimum Penalties for Repeat Offenders for Driving While Intoxicated				-	9,497
Total - Department of Transportation				-	3,152,175
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds ARP Coronavirus State and Local Fiscal Recovery	Direct Grant	21.027	CY 2022	-	3,523,326
Total - Department of the Treasury				-	3,523,326
<u>Environmental Protection Agency</u>					
Clean Water State Revolving Fund (CWSRF) Cluster Capitalization Grants for Clean Water State Revolving Funds 2021 SRF WWU Loan	Direct Grant	66.458	WW21073403	-	11,077,400
Total - Clean Water State Revolving Fund (CWSRF) Cluster				-	11,077,400
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements Brownfield Revolving Loan Brownfield Grant	Direct Grant	66.818	BF-00E01364 BF-00E02704	- -	204,039 82,175
Total - Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements				-	286,214
Total - Environmental Protection Agency				-	11,363,614
<u>Department of Health and Human Services</u>					
Aging Cluster Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers Title III part B Area 5	Area 5 on Aging & Community Services	93.044	2021/2022	-	31,420
Total - Aging Cluster				-	31,420
Total - Department of Health and Human Services				-	31,420
Total federal awards expended				\$ 119,039	\$ 19,763,316

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

CITY OF KOKOMO
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, 2022. 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.

Note 3. Calculation of Economic Development Cluster Expenditures on the SEFA

The reported expenditures for the COVID-19 - Economic Adjustment Assistance, were calculated as follows in accordance with guidance by the grantor:

CITY OF KOKOMO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The reported expenditures were calculated as follows in accordance with guidance by the grantor:

Revolving Loan Fund (RLF):		
Outstanding loans as of December 31, 2022	\$ 260,491	
Cash and Investments as of December 31, 2022	80,030	
Administrative expenses paid out of RLF income during 2022	-	
Unpaid principal on loans written off during 2022	-	
Subtotal		<u>340,521</u>
Calculation of Federal Participation Rate (FPR):		
Original grant	330,000	
Original match (In-Kind)	-	
Subtotal		<u>330,000</u>
FPR - Original grant awarded divided by total including original match		<u>100%</u>
Expenditures reported on the SEFA		<u>\$ 340,521</u>

Note 4. Loans Outstanding

The City had the following loan balances outstanding at December 31, 2022. The value of these loans are also included in the federal expenditures presented in the SEFA.

Program Title	Federal Assistance Listings Number	2022
Rural Business Enterprise Grants	10.769	\$ 26,844
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818	200,000

CITY OF KOKOMO
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?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	yes
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

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

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
	Federal Transit Cluster	Unmodified
	Clean Water State Revolving Fund (SWSRF) Cluster	Unmodified
20.106	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	Unmodified
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

No matters are reportable.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2022-001

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 2022
Compliance Requirement: Reporting
Audit Finding: Significant Deficiency

Condition and Context

The City had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties 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 was allocated more than \$10 million in State and Local Fiscal Recovery Funds funding. As such, the initial P&E report, covering three 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.

The lack of internal controls was a systemic issue throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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

Cause

A proper system of internal controls was not designed by management of the City, which would include segregation of key functions. 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 design or implementation of the components of a system of internal controls, including policies and procedures that provide segregation of duties and additional oversight as needed, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance.

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, including policies and procedures that would provide segregation of duties to ensure appropriate reviews, approvals, and oversight are taking place.

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: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Procurement and Suspension and Debarment
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 2022
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

The City received a total State and Local Fiscal Recovery Funds (SLFRF) allocation of \$19,893,216. During the audit period, the City expended funds out of the public health and economic response, the infrastructure, and the revenue loss use categories.

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

Prior to entering into subawards and covered transactions with SLFRF award funds, recipients are required to verify that such contracts and subrecipients are not suspended, debarred, or otherwise excluded. "Covered transactions" include, but are not limited to contracts for goods and services awarded under procurement and non-procurement transactions (i.e., grant agreement) that are expected to equal or exceed \$25,000. The verification is to be done by checking the Excluded Parties List System, collecting a certification from that person, or adding a clause or condition to the covered transaction with that person. Due to the Treasury's determination that the revenue loss eligible use category does not give rise to subawards, the City was only required to comply with suspension and debarment requirements related to contracts for that use category.

Upon inquiry of the City to determine their policies and procedures related to suspension and debarment requirements, the City stated they run a list of all vendors in the City that were suspended or debarred to compare with vendors they will enter into covered transactions. However, the City did not have policies or procedures in place for verifying that an entity with which it plans to enter into a covered transaction is not suspended, debarred, or otherwise excluded or disqualified from participating in federal assistance programs or activities if the vendor was located outside of the City. Eight covered transactions for goods or services that equaled or exceeded \$25,000 that were paid from SLFRF funds during the audit period were identified. Three transactions were examined to determine whether the City verified the suspension and debarment status of the vendors prior to payment.

The first covered transaction in the amount of \$1,805,787 was made for a construction project. The City was unable to provide documentation to support whether the City verified the vendor's suspension and debarment status prior to issuing payment. The vendor was outside of the City.

The second covered transaction in the amount of \$45,585 was made to a contractor for painting. The City was unable to provide documentation to support whether the City verified the vendor's suspension and debarment status prior to issuing payment. The vendor was outside of the City.

The third covered transaction in the amount of \$108,924 was made to a contractor for electrical work. The vendor's business was within the City, and, therefore, the City's policies and procedures verified the vendor's suspension and debarment status prior to issuing payment.

The lack of internal controls and 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). . . ."

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

31 CFR 19.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the EPLS; or
- (b) Collecting a certification from that person if allowed by this rule; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

The system of internal controls, as established by management of the City, was not properly designed and implemented to ensure that the policies and procedures in place related to suspension and debarment were adequate for all vendors with which the City could potentially enter into a covered transaction.

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, vendors outside of the City to whom payments equal to or in excess of \$25,000 were not verified to be not suspended, debarred, or otherwise excluded.

Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions or the federal award could result in the loss of future federal funding to the City.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the City establish a proper system of internal controls and develop policies and procedures to ensure all contractors and subrecipients, as appropriate, are not suspended, debarred, or otherwise excluded prior to entering into any contracts or subawards.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-001

Fiscal year in which the finding initially occurred: 2021

Status of Audit Finding: Corrective Action Was Taken



CORRECTIVE ACTION PLAN

FINDING 2022-001 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Weston Reed
Contact Phone Number: 765-456-7455

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:

1. Starting with the 2023 June quarter-end P&E report which is due in July 31, 2023 City will have another employee review and sign off on the report prior to final submission on line.

Anticipated Completion Date:
July 31, 2023

FINDING 2022-002 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Weston Reed
Contact Phone Number: 765-456-7455

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:

Going forward, city of Kokomo will include the sentence below to all ARPA contract that are above \$25,000.00

The Contractor certifies, warrants, and represents that it has no current, pending, or outstanding criminal, civil, or enforcement actions initiated by the City and that neither it nor its principal(s) is/are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from entering into this Contract by any federal agency or by any department, agency, or political subdivision of the State of Indiana, or the City. The Contractor agrees that it will immediately notify the City and the Department of any such actions and during the term of such actions, the City or the Department may delay, withhold, or deny work under any supplement, amendment, change order, or other contractual device issued pursuant to this Contract.

Anticipated Completion Date:
July 31, 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/>.