

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF GOSHEN

ELKHART COUNTY, INDIANA

January 1, 2022 to December 31, 2022



**FILED**

09/21/2023



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Richard R. Aguirre	01-01-22 to 12-31-23
Mayor	Jeremy P. Stutsman Gina Leichty	01-01-22 to 06-15-23 06-16-23 to 12-31-23
President of the Board of Public Works and Safety	Jeremy P. Stutsman Gina Leichty	01-01-22 to 06-15-23 06-16-23 to 12-31-23
President Pro Tempore of the Common Council	Brett Weddell	01-01-22 to 12-31-23
Utility Office Manager	Kelly Saenz	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 GOSHEN, ELKHART 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 Goshen (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 August 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 item 2022-001, that we consider to be material weaknesses.

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

***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 item 2022-001.

***City of Goshen'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

August 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 GOSHEN, ELKHART COUNTY, INDIANA

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

***Qualified Opinion***

We have audited the City of Goshen'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 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 2022-002 for Procurement Suspension and Debarment. Compliance with such requirement 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**

*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. 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, as described in the accompanying Schedule of Findings and Questioned Costs as items 2022-002 and 2022-003, to be material weaknesses.

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 August 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

August 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.

CITY OF GOSHEN  
 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
<u>Department of Housing and Urban Development</u>					
CDBG - Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grants	Direct Grant	14.218			
2019 Community Development Block Grant			B-19-MC-18-0019	\$ -	\$ 7,538
2020 Community Development Block Grant			B-20-MC-18-0019	-	94,224
2021 Community Development Block Grant			B-21-MC-18-0019	58,364	154,614
2022 Community Development Block Grant			B-22-MC-18-0019	31,351	31,351
Subtotal - Community Development Block Grants/Entitlement Grants				<u>89,715</u>	<u>287,727</u>
COVID-19 - Community Development Block Grants/Entitlement Grants					
2020 Community Development Block Grant - CV	Direct Grant	14.218			
			B-20-MW-18-0019	<u>2,080</u>	<u>8,158</u>
Total - Community Development Block Grants/Entitlement Grants				<u>91,795</u>	<u>295,885</u>
Total - CDBG - Entitlement Grants Cluster				<u>91,795</u>	<u>295,885</u>
COVID-19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii					
OCRA Sensory Trail	Indiana Office of Community and Rural Affairs	14.228			
			B-20-DW-18-0001	-	<u>155,322</u>
Total - Department of Housing and Urban Development				<u>91,795</u>	<u>451,207</u>
<u>Department of Justice</u>					
Edward Byrne Memorial Justice Assistance Grant Program					
2022 JAG	Indiana Criminal Justice Institute	16.738			
2020 JAG	Elkhart County		2022-00071-FR3	-	34,602
			2020-H9005-IN-DJ	-	<u>17,741</u>
Total - Edward Byrne Memorial Justice Assistance Grant Program				-	<u>52,343</u>
Total - Department of Justice				-	<u>52,343</u>

CITY OF GOSHEN  
 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
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
Kercher Road Phase I			DES 1400713	-	190
Wilden Avenue			DES 1400715	-	91,347
Kercher Road Phase II			DES 1401747	-	13,612
College Avenue			DES 1900739	-	46,212
College Avenue Phase II			DES 2100021	-	2,482
Total - Highway Planning and Construction				-	153,843
Total - Highway Planning and Construction Cluster				-	153,843
Total - Department of Transportation				-	153,843
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds					
American Rescue Plan	Direct Grant	21.027	SLT-9293	-	501,158
Total - Department of the Treasury				-	501,158
<u>National Endowment for the Arts</u>					
Promotion of the Arts Partnership Agreements					
ARP Arts Commission Grant	Indiana Arts Commission	45.025	1863369-61-20	-	5,000
Total - National Endowment for the Arts				-	5,000
Total federal awards expended				\$ 91,795	\$ 1,163,551

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

CITY OF GOSHEN  
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.

CITY OF GOSHEN  
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

**Section II - Financial Statement Findings**

**FINDING 2022-001**

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

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2021-001.

*Condition and Context*

The City had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the City's Schedule of Expenditures of Federal Awards (SEFA).

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

The City did not properly review the federal grant information prepared and submitted in Gateway. Although one employee prepared and entered the federal award information into Gateway, and another employee reviewed and approved the information entered, the internal controls were not effective and did not detect and allow correction of errors prior to submission.

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

1. The Community Development Block Grants/Entitlement Grants expenditures were overstated \$49,702.
2. The Highway Planning and Construction expenditures were overstated \$17,645.
3. The federal awards passed through to subrecipients were overstated by a total of \$340,331.
4. Other errors included incorrect program names, federal grantor agencies, and pass-through entities.

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:

"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 GOSHEN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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. . . ."

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.

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

- (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 of the City 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.

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

**FINDING 2022-002**

Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - 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): SLT-9293  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Modified Opinion

*Condition and Context*

The City elected to receive the standard revenue loss allowance, allowing them to claim its total State and Local Fiscal Recovery Funds (SLFRF) allocation of \$6,692,508 as revenue loss to use for government services. As such, all SLFRF program funds were expended under the revenue loss eligible use category. The U.S. Department of the Treasury (Treasury) determined that there are no subawards under this eligible use category, and that recipients' use of revenue loss funds would not give rise to subrecipient relationships given that there is no federal program or purpose to carry out in the case of the revenue loss portion of the award.

CITY OF GOSHEN  
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 contractors and subrecipients are not suspended, debarred, or otherwise excluded. "Covered transactions" include, but are not limited to, contracts for goods and services awarded under a non-procurement transaction (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 (EPLS), 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 covered transactions.

The City's policies and procedures related to suspension and debarment requirements included having a clause in all formal contracts. Formal contracts were then reviewed and approved by the Board of Public Works and Safety and the Mayor prior to making payment. However, the City disclosed they had no policies or procedures in place for verifying that an entity with which it plans to enter into a covered transaction, which does not result in a formal contract, is not suspended, debarred, or otherwise excluded or disqualified from participating in federal assistance programs or activities.

Two covered transactions, each equaling or exceeding \$25,000 paid from SLFRF funds during the audit period were identified. The first covered transaction was a formal contract. While the contract was reviewed and approved by the Board of Public Works and Safety and the Mayor, no suspension or debarment clause was present in the contract. As such, the City did not verify the vendor was neither suspended nor debarred, or otherwise excluded or disqualified from participating in federal assistance programs or activities prior to payment. The second covered transaction did not require a formal contract, and, therefore, a formal contract was not entered into. As such, the City did not verify the vendor's suspension or debarment status prior to payment due to the City not having any policies or procedures in place to verify that contractors were neither suspended or debarred, or otherwise excluded or disqualified from participating in federal assistance programs or activities.

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). . . ."

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:

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

- (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*

A proper system of internal controls 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 statements 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. As a result, the vendor to whom a payment equal to or in excess of \$25,000 was made was not verified to be not suspended, debarred, or otherwise excluded.

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*

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 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.

**FINDING 2022-003**

Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Internal Controls  
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): SLT-9293  
Compliance Requirement: Reporting  
Audit Finding: Material Weakness

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

*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 an initial interim report and 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 city with a population below 250,000 residents that was allocated less than \$10 million in state and Local Fiscal Recovery Funds funding. As such, the initial P&E report, covering one calendar quarter from January 1, 2022 to March 31, 2022, was required to be submitted to the Treasury by April 30, 2022. The subsequent annual reports are to cover one calendar year and must be submitted to the Treasury by the last day of the month following the end of the period covered. The initial interim report covers the period of when the recipient received the funding through to July 31, 2021, and was required to be submitted to the Treasury by August 31, 2021, or 60 days after the recipient received the funds. However, the City did not submit this report until February 4, 2022, as the submitted report covered the period of when the recipient received the funding through to December 31, 2021.

The City submitted the interim report and the P&E report during the audit period; however, a single employee prepared and submitted the interim report and 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). . . ."

*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 statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

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

*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.

#### AUDITEE-PREPARED DOCUMENTS

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



## CITY OF GOSHEN

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### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

#### **FINDING 2021-001 (Preparation of Schedule of Expenditures of Federal Awards)**

**Fiscal Year in which the finding initially occurred: 2021**

#### **STATUS OF AUDIT FINDING**

In response to the State Board of Accounts' Finding 2021-001 (Preparation of Schedule of Expenditures of Federal Awards), the City of Goshen improved its processes for preparation of the Schedule of Expenditures of Federal Awards (SEFA).

#### **Corrective actions included:**

- (1) Monthly grant reports
- (2) Data back-up for the Annual Financial Report (AFR)
- (3) A closer review of Audit Form 13 prior to commencing the audit

Regarding the first point, the Deputy Clerk-Treasurer and the Grants Manager collaborate and review federal grants data, and a monthly spreadsheet is created to support the entry of data that will be put into the AFR on Gateway.

Second, for data back-up, the Deputy Clerk-Treasurer compiles work papers to back up all inputs to the Gateway AFR. The Grants Manager provides agreements and financial reports that back up every data point in the Gateway Grant report.

Finally, there is a closer review of the SEFA components involving the Clerk-Treasurer, the Deputy Clerk-Treasurer and the Grants Manager, who conduct a careful review before signing off on and submitting the grants portion of Audit Form 13 to auditors to improve accuracy and ensure compliance.

The City of Goshen believes that these ongoing steps add extra layers of scrutiny and accuracy to SEFA reporting. We also are committed to making any necessary amendments to required documents and to ensure greater accuracy moving forward.

The monthly grant reports will continue as long as the City receives federal grants. The collection of backup data in the AFR files typically occurs in January and February for the prior year, and the closer review of Audit Form 13 by at least three individuals now occurs before SBOA audits.

Please let us know if you require additional information.



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## **CITY OF GOSHEN CORRECTIVE ACTION PLAN**

### ***Section II – Financial Statement Findings***

#### **FINDING 2022-001: Preparation of Schedule of Expenditures of Federal Awards**

Contact Person Responsible for Corrective Action: Clerk-Treasurer Richard R. Aguirre

Contact Phone Number: 574-533-8623

**Views of Responsible Official: We concur with the finding.**

#### **Description of Corrective Action Plan:**

The material finding was due to inadequate review of documentation received from other City of Goshen departments. We plan to review the data with other departments to confirm that only federal funds are included in receipt amounts. We also plan to continue the three review steps we added to our process last year but which were not fully implemented until late 2022 because that's when the audit was completed:

1. Monthly grant reports – This is a spreadsheet on which the Deputy Clerk-Treasurer and Grants Manager collaborate to review data regarding the City's active federal grants. This is a monthly compilation and review of the data that would be input to the Gateway Annual Report.
2. Collect backup data in the AFR files – The Deputy Clerk-Treasurer compiles work papers to back up all inputs to the Gateway Annual Financial Report. In this collection are agreements and financial reports that back up every data point in the Gateway Grant report.
3. Closer review of the Audit Form 13 – To avoid grants being entirely left off the SEFA in the future, we will require that both the Deputy Clerk-Treasurer and the Grants Manager sign off the grants portion of the Form 13 on our next audit.

To supplement the City of Goshen's internal control process and avoid a similar finding to 2022-001 in forthcoming audits, we will add this step:

4. Confirm receipt amounts with relevant departments to determine which receipts are federal and non-federal sources. We will also confirm this review step with other departments through email confirmation.

#### **Anticipated Completion Date:**

1. The monthly grant reports continue from 2022.
2. The collection of backup data in the AFR files occurs January and February for the prior year.
3. Closer review of the Audit Form 13 will occur in the next SBOA audit.
4. Department reviews will occur in January and February for the prior year.



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### **Section III – Federal Award Findings and Questioned Costs**

#### **FINDING 2022-002: COVID-19 – Coronavirus State and Local Fiscal Recovery Funds – Suspension and Debarment**

Contact Person Responsible for Corrective Action: Clerk-Treasurer Richard Aguirre

Contact Phone Number: (574) 533-8623

**Views of Responsible Official: We concur with the finding.**

#### **Description of Corrective Action Plan:**

The City of Goshen responds that this finding is an outlier to the otherwise effective system of internal controls already in place.

The former Mayor proposed the expenditures in question during a state, national and global emergency pandemic and in direct consultation with at least three other anchor institutions of healthcare. However, the City did not formally determine the status of suspension, debarment or exclusion because of the extraordinary circumstances facing Goshen and a lack of knowledge of this requirement.

It's important to recognize that Goshen was in the midst of a state and national emergency and was seeking to safeguard health, and because the normal channels for procuring essential medical equipment were extraordinary and under duress, human error occurred when City staff members acted quickly in response to the drastic shortage of COVID-19 test kits. The other transaction involved a long-time vendor for the City of Goshen that has not been suspended, debarred or otherwise excluded.

With every other transaction, the City secured legal agreements, which is part of its City's normal policies and procedures. It is important to acknowledge that the City of Goshen has policies in place to ensure suspension and debarment clauses are included and certified through signed, fully executed legal agreements.

The City is now fully aware that the use of email and confirmation from vendors regarding certification of non-suspension and non-debarment is sufficient, and staff will use this verification procedure in the future. If the City has any additional need to verify that a vendor has not been suspended, debarred or otherwise excluded, staff members also will check SAM.gov's exclusionary lists and save a screenshot of that verification to share with state auditors.

The City of Goshen will continue to rely on suspension and debarment clauses in legal agreements and contracts, and the steps outlined above will serve as the remainder of the corrective action. Again, these two transactions were exceptions to the City's improved internal control procedures.

#### **Anticipated Completion Date:**

The City of Goshen's elected officials and their immediate staff will be reminded of these verification procedures, either by email or print, or both. Department heads will be reminded of this during the next review of procurement policies or staff handbook, which is normally an annual process.



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## **FINDING 2022-003: COVID-19 – Coronavirus State and Local Fiscal Recovery Funds – Internal Controls**

Contact Person Responsible for Corrective Action: Clerk-Treasurer Richard Aguirre

Contact Phone Number: (574) 533-8623

**Views of Responsible Official: We concur with the finding.**

### **Description of Corrective Action Plan:**

To enhance internal controls, the City of Goshen Clerk-Treasurer's Office has identified and segregated duties related to the preparation of the Schedule of Federal Awards (SEFA). Using the checklist from the SBOA as a reference, an internal checklist has been created to use for annual review of the policies and procedures.

For this year in particular, a revisiting of the policies and procedures is necessary to address and clarify segregation of duties, both for internal and external purposes. The design, including segregation of duties, exists between the Clerk-Treasurer, Deputy Clerk-Treasurer, and the Grants Manager. However, the reporting procedures can be improved, specifically in how implementation generates verifiable proof and documentation.

What is cited below is more of a "retroactive finding" from 2021, since SBOA did not audit these funds previously. There also had been a series of difficulties with the Treasury portal; by the time the system was corrected, the reports were submitted.

Regarding the procedures, the City of Goshen undertook data entry, review, and submission using three different individuals, and there is evidence of this review that has not been acknowledged by the SBOA. The review and oversight process, however, is being improved in light of this new finding. The revision of policies will more effectively articulate the steps that effect internal control and ensure consistent implementation.

To ensure the accuracy of Project and Expenditure Reports prior to submission to the U.S. Department of Treasury, the preparer will email the reviewer when a report is ready for review. The reviewer will respond to the email when the information is reviewed and include any errors noted that need to be corrected. This email correspondence will be kept and provided to state auditors. The City also will maintain an approval sheet indicating that the review of the report has been completed and the reviewer will sign and date the approval sheet and note any errors found during the review.

### **Anticipated Completion Date:**

This process should be reviewed and ready by the next SEFA preparation, in January 2024.

**– Completed and submitted to the State Board of Accounts, Aug. 29, 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/>.