

STATE BOARD OF ACCOUNTS
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INDIANAPOLIS, INDIANA 46204-2769

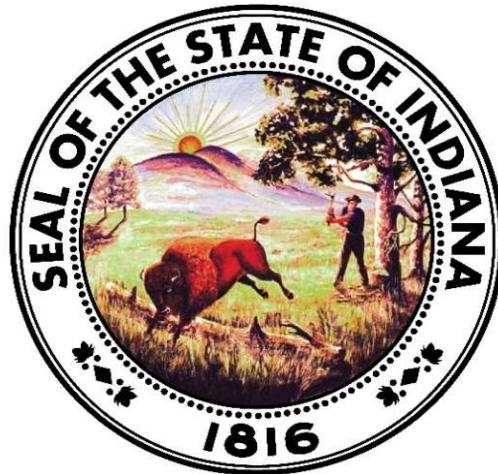
FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF MARION

GRANT COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED

09/05/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Julie Flores	01-01-22 to 12-31-23
Mayor	Jess Alumbaugh	01-01-22 to 12-31-23
President of the Board of Public Works and Safety	Alex Huskey Linda Wilk	01-01-22 to 12-31-22 01-01-23 to 12-31-23
President of the Common Council	Brian Cowgill Brad Luzadder Robin Fouce	01-01-22 to 06-07-22 06-08-22 to 12-31-22 01-01-23 to 12-31-23
Utility Office Director	John C. Binkerd	01-01-22 to 12-31-23
President of the Utility Service Board	Robert Logan	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 MARION, GRANT 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 Marion (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 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

August 17, 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 MARION, GRANT COUNTY, INDIANA

Report on Compliance for the Major Federal Program

Qualified Opinion

We have audited the City of Marion'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 Formula Grants for Rural Areas and Tribal Transit Program

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 Formula Grants for Rural Areas and Tribal Transit Program 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.

Matter Giving Rise to Qualified Opinion on Formula Grants for Rural Areas and Tribal Transit Program

As described in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding 20.509 Formula Grants for Rural Areas and Tribal Transit Program, as described in item 2022-002 for Procurement and Suspension and Debarment. Compliance with such requirement is necessary in our opinion, for the City to comply with the requirements applicable to that program.

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)

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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001. Our opinion on the major federal program is not modified with respect to these matters.

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)

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 2022-001 and 2022-002, 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 17, 2023. 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 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 MARION
 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 Defense</u>					
National Guard Military Operations and Maintenance (O&M) Projects Operating Assistance	Adjutant General of Indiana	12.401	FY22	\$ -	\$ 7,478
Total - Department of Defense				-	7,478
<u>Department of Housing and Urban Development</u>					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii Department of Housing & Urban Development Department of Housing & Urban Development	Indiana Office of Community and Rural Affairs	14.228	b-cv2-fssa-18-0001 HD-109-009	-	139,800 156,034
Total - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii				-	295,834
Total - Department of Housing and Urban Development				-	295,834
<u>Department of Justice</u>					
Crime Victim Assistance Victims Advocacy Grant	Indiana Criminal Justice Institute	16.575	2019-V2-GX-00	-	37,088
Total - Department of Justice				-	37,088
<u>Department of Transportation</u>					
Federal Transit Cluster Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs Operating Assistance	Indiana Department of Transportation	20.526	18040060	-	33,001
Total - Federal Transit Cluster				-	33,001
Highway Safety Cluster State & Community Highway Safety Operation Pullover	Direct Grant	20.600	CHIRP-2022-0063	-	4,375
Total - Highway Safety Cluster				-	4,375
Airport Improvement Program, COVID-19 - Airports Programs, and Infrastructure Investment and Jobs Act Programs Aviation Grant Aviation Grant Aviation Grant	Direct Grant	20.106	3-18-0053-033-2021 3-18-0053-034-2022 3-18-0053-032-2021	-	32,000 3,600 116,310
Total - Airport Improvement Program, COVID-19 - Airports Programs, and Infrastructure Investment and Jobs Act Programs				-	151,910
Formula Grants for Rural Areas and Tribal Transit Program Operating Assistance Operating Assistance	Indiana Department of Transportation	20.509	18039060 18040060	-	868,655 223,228
Total - Formula Grants for Rural Areas and Tribal Transit Program				-	1,091,883
Total - Department of Transportation				-	1,281,169
Total federal awards expended				\$ -	\$ 1,621,569

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

CITY OF MARION
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 MARION
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 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
20.509	Formula Grants for Rural Areas and Tribal Transit Program	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

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

FINDING 2022-001

Subject: Formula Grants for Rural Areas and Tribal Transit Program - Reporting
 Federal Agency: Department of Transportation
 Federal Program: Formula Grants for Rural Areas and Tribal Transit Program
 Assistance Listings Number: 20.509
 Federal Award Numbers and Years (or Other Identifying Numbers): 1804006O, 1803906O
 Pass-Through Entity: Indiana Department of Transportation
 Compliance Requirement: Reporting
 Audit Findings: Material Weakness, Other Matters

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

Condition and Context

The City had not properly designed or implemented a system of internal controls that would likely be effective in preventing, or detecting and correcting, noncompliance. Recipients of the Formula Grants for Rural Areas and Tribal Transit Program are required to submit claim vouchers quarterly to the Indiana Department of Transportation (INDOT). Each quarterly reimbursement request is to reflect the total expenditures for the quarter then ended.

The City submitted a total of five claim vouchers during the audit period; however, one of the claim vouchers was not properly prepared. The fourth quarter claim voucher for 2021, covering the period of October 2021 to December 2021, submitted to the INDOT by the City, incorrectly included the expenditures for September 2021 instead of the expenditures for October 2021. This caused the September 2021 expenditures to be reimbursed for a second time, and the October 2021 expenditures to not be reimbursed. The September 2021 expenditure amount was \$72,824; however, the October 2021 expenditure amount was \$182,909. The October 2021 expenditures have not been requested for reimbursement to date.

The lack of internal controls and noncompliance was isolated to the fourth quarter claim voucher for 2021.

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). . . ."

2 CFR 200.328 states:

"Unless otherwise approved by OMB, the Federal awarding agency must solicit only the OMB-approved governmentwide data elements for collection of financial information (at time of publication the Federal Financial Report or such future, OMB-approved, governmentwide data elements available from the OMB-designated standards lead. This information must be collected with the frequency required by the terms and conditions of the Federal award, but no less frequently than annually nor more frequently than quarterly except in unusual circumstances, for example where more frequent reporting is necessary for the effective monitoring of the Federal award or could significantly affect program outcomes, and preferably in coordination with performance reporting. The Federal awarding agency must use OMB-approved common information collections, as applicable, when providing financial and performance reporting information."

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

Cause

A proper system of internal controls over the quarterly expenditure report was not designed by management of the City to ensure the correct expenditures were requested for reimbursement. 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, 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. Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions of the federal award could result in the loss of future federal funding to the City.

In addition, not requesting reimbursement for the correct amount led to the City not being reimbursed for all applicable expenditures.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the City design and implement a proper system of internal controls that would provide a segregation of duties for the preparation and review of federal reports 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: Formula Grants for Rural Areas and Tribal Transit Program -
Procurement and Suspension and Debarment

Federal Agency: Department of Transportation

Federal Program: Formula Grants for Rural Areas and Tribal Transit Program

Assistance Listings Number: 20.509

Federal Award Numbers and Years (or Other Identifying Numbers): 1804006O, 1803906O

Pass-Through Entity: Indiana Department of Transportation

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

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

Condition and Context

Procurement

Federal regulations allow for informal procurement methods when the value of the procurement for property or services does not exceed the simplified acquisition threshold, which is set at \$250,000. However, Indiana Code 5-22-8 has a more restrictive threshold of \$150,000 or less for when small purchase procedures may be used. This informal process allows for methods other than the formal bid process. The informal process is divided between two methods based on thresholds. Micro-purchases, typically for those purchases \$10,000 or under, and small purchase procedures for those purchases above the micro-purchase threshold, but below the simplified acquisition threshold. Micro-purchases may be awarded without soliciting competitive price rate quotations. If small purchase procedures are used, then price or rate quotations must be obtained from an adequate number of qualified sources.

The City obtained price or rate quotes for all three vendors tested that were less than the simplified acquisition threshold of \$150,000, but exceeded the \$10,000 micro-purchase threshold. However, the City did not obtain a contract for one vendor as required by Indiana Code for purchases between \$50,000 and \$150,000.

Suspension and Debarment

Prior to entering into subawards and covered transactions with the Formula Grants for Rural Areas and Tribal Transit Program award funds (program 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 SAMs Exclusions, collecting a certification from that person, or adding a clause or condition to the covered transaction with that person.

Four covered transactions for goods or services that equaled or exceeded \$25,000 paid from program funds during the audit period were identified. All four transactions, totaling \$153,753, were examined to determine whether the City verified the suspension and debarment status of each vendor prior to payment.

The City's procedures were as follows:

- The City Controller searches the SAM website for vendors the City has entered into a covered transaction with over \$25,000 or more and prints out the results.
- The City Controller signs the results and the Transportation Director reviews and signs the results.
- In addition, a debarment and suspension certification from the prospective third-party contractor will be collected or a clause included in the third-party contract regarding disclosures, which are reviewed and approved by the City of Marion Board of Public Works and Safety.

However, for three of the four transactions, the City did not follow its procedures as outlined and thus did not verify the vendors' suspension and debarment status prior to payment.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Indiana Code 5-22-8-3 states in part:

"(a) This section applies only if the purchasing agent expects the purchase to be:

- (1) at least fifty thousand dollars (\$50,000); and
- (2) not more than one hundred fifty thousand dollars (\$150,000). . . .

(d) If the purchasing agent receives a satisfactory quote, the purchasing agent shall award a contract to the lowest responsible and responsive offeror for each line or class of supplies required. . . ."

2 CFR 180.300 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 SAM Exclusions; or
- (b) Collecting a certification from that person; 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, contracts were not entered into for purchases in excess of \$50,000 but below \$150,000, and vendors to whom payments equal to or in excess of \$25,000 were not verified to be not suspended, debarred, or otherwise excluded.

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

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 that contracts are entered into when the value of the procurement is in excess of \$50,000, and that 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.



CITY *of* **MARION**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-001

Fiscal Year Finding Occurred: 2020

Status of Audit Finding: Audit Finding 2021-001 has been corrected



CITY of MARION

CORRECTIVE ACTION PLAN

FINDING 2022-001

Material Weakness - Reporting

Contact Person Responsible for Corrective Action:
Julie Flores

Contact Phone Number:
765-382-3779

Views of Responsible Official:
Agree with finding

Description of Corrective Action Plan:

The Controller's Office will send the monthly appropriation reports for transportation to the Administrative Assistant (AA) and to the Transportation Manager to review and reconcile. After the monthly report has been reconciled by the transportation Administrative Assistant, it will be initial and dated by the AA, the work will be forwarded to the grant administrator, transportation manager and controller's office. The Controller's Office will review to ensure accurate information was forwarded to the grant administrator. These changes will be reflected in the City of Marion's Internal Control Policy.

Anticipation Completion Date: 09/01/23



CITY *of* MARION

CORRECTIVE ACTION PLAN

FINDING 2022-002

Material Weakness – Procurement , Suspension, Debarment

Contact Person Responsible for Corrective Action:
Julie Flores

Contact Phone Number:
765-382-3779

Views of Responsible Official:

Agree with finding

Description of Corrective Action Plan:

The Controller's office will continue to check the System for Awards Management quarterly to verify Tran Services is not debarred. Further, the office will now check for contracts that exceed the \$25,000 threshold that require such inquiry.

Anticipation Completion Date: 09/30/23

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/>.