

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF SCOTTSBURG

SCOTT COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED

07/10/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
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 <i>Government Auditing Standards</i>	3-4
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	5-8
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	11
Notes to Schedule of Expenditures of Federal Awards.....	12
Schedule of Findings and Questioned Costs.....	13-18
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	20-21
Corrective Action Plan	22-23
Other Reports.....	24

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janetta C. Hardy	01-01-23 to 12-31-24
Mayor	Terry Amick	01-01-23 to 12-31-24
President of the Board of Public Works and Safety	Terry Amick	01-01-23 to 12-31-24
President Pro Tempore of the Common Council	Ric Manns Christian Evans	01-01-23 to 12-31-23 01-01-24 to 12-31-24
Utility Office Manager	Malina Jeffries Lauren Richey	01-01-23 to 02-29-24 03-01-24 to 12-31-24



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 SCOTTSBURG, SCOTT 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 Scottsburg (City), for the year ended December 31, 2023, and the related notes to the financial statement, which collectively comprise the City's financial statement and have issued our report thereon dated June 24, 2024, 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 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

June 24, 2024



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 SCOTTSBURG, SCOTT COUNTY, INDIANA

Report on Compliance for the Major Federal Program

Qualified Opinion

We have audited the City of Scottsburg'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, 2023. 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, 2023.

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 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 2023-001 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 2023-002. 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 2023-001 and 2023-002, 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, 2023, and the related notes to the financial statement. We issued our report thereon dated June 24, 2024, 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

June 24, 2024

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.

(This page intentionally left blank.)

CITY OF SCOTTSBURG
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2023

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 Agriculture</u>					
Urban and Community Forestry Program DNR CUFA TREE GRANT 2022	Indiana Department of Natural Resources	10.675	#0000000000000000000058559	\$ -	\$ 13,748
Total - Department of Agriculture				-	13,748
<u>Department of Commerce</u>					
Economic Development Cluster Economic Adjustment Assistance CITY / CO REVOLVING LOAN FUND	Direct Grant	11.307	06-3902499/06-190267	-	395,202
COVID-19 - Economic Adjustment Assistance CARES ACT EDA REVOLVING LOAN GRANT	Direct Grant	11.307	06-79-06231	-	519,140
Total - Economic Development Cluster				-	914,342
Total - Department of Commerce				-	914,342
<u>Department of Justice</u>					
Bulletproof Vest Partnership Program POLICE BULLET PROOF VEST	Direct Grant	16.607	2023	-	2,938
Equitable Sharing Program FEDERAL ASSET FORFEITURE	Direct Grant	16.922	2023	-	13,403
Total - Department of Justice				-	16,341
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds AMERICAN RESCUE PLAN GRANT SWIF GRANT	Direct Grant Indiana Finance Authority	21.027	IN0429 SWIF221472	-	162,306 1,928,684
Total - COVID-19 - Coronavirus State and Local Fiscal Recovery Funds				-	2,090,990
Total - Department of the Treasury				-	2,090,990
<u>Department of Homeland Security</u>					
Assistance to Firefighters Grant ASSISTANCE TO FIREFIGHTERS GRANT	Direct Grant	97.044	EMW-2020-FG-04097	-	1,629
Total - Department of Homeland Security				-	1,629
Total federal awards expended				\$ -	\$ 3,037,050

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

CITY OF SCOTTSBURG
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, 2023. 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 Expenditures of the Economic Development Cluster Presented on the SEFA

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

Description	City / Co Revolving Loan Fund	CARES Act Revolving Loan Fund
Balance of Revolving Loan Fund (RLF) loans outstanding as of December 31, 2023	\$ 97,582	\$ 434,238
Add: Cash and Investment balance of RLF as of December 31, 2023	337,781	83,652
Add: Administrative expenses paid out of RLF as of December 31, 2023	<u>3,750</u>	<u>1,250</u>
Total Expenditures	439,113	519,140
Multiplied by the Federal Participation Rate	<u>0.90</u>	<u>1.00</u>
Total presented on the SEFA	<u>\$ 395,202</u>	<u>\$ 519,140</u>

CITY OF SCOTTSBURG
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
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

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

FINDING 2023-001

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 Listing Number: 21.027
 Federal Award Numbers and Years (or Other Identifying Numbers): IN0429, SWIF221472
 Compliance Requirement: Procurement and Suspension and Debarment
 Audit Findings: Material Weakness, Modified Opinion

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2022-001.

Condition and Context

Procurement

Small Purchases

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 customarily 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.

One vendor was identified with total purchases that fell within the small purchase threshold. Price or rate quotations were not obtained, nor was full and open competition provided for the vendor. Additionally, there was no documentation available to support the rationale to limit competition.

Suspension and Debarment

Prior to entering into subawards and covered transactions with the State and Local Fiscal Recovery Funds (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.

The City did not have any policies or procedures in place related to the suspension and debarment requirements. A population of three covered transactions, totaling \$157,045, that equaled or exceeded \$25,000 paid from SLFRF funds were identified. All three covered transactions were selected for testing. For each of the three transactions, the City did not verify the vendors' 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 nor debarred, or otherwise excluded or disqualified, from participating in federal assistance programs or activities.

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

CITY OF SCOTTSBURG
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). . . ."

2 CFR 200.320 states in part:

"The non-Federal entity must have and use documented procurement procedures, consistent with the standards of this section and §§ 200.317, 200.318, and 200.319 for any of the following methods of procurement used for the acquisition of property or services required under a Federal award or sub-award.

(a) Informal procurement methods. When the value of the procurement for property or services under a Federal award does not exceed the *simplified acquisition threshold (SAT)*, as defined in § 200.1, or a lower threshold established by a non-Federal entity, formal procurement methods are not required. The non-Federal entity may use informal procurement methods to expedite the completion of its transactions and minimize the associated administrative burden and cost. The informal methods used for procurement of property or services at or below the SAT include: . . .

(2) *Small purchases* –

(i) *Small purchase procedures.* The acquisition of property or services, the aggregate dollar amount of which is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity. . . ."

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."

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

Cause

The City was unable to provide documentation to demonstrate they had properly procured services. The City noted they were unaware professional services agreements for consultants were required to follow procurement small purchase guidelines. Due to the timing of the City's passage of a purchasing policy, which defines procurement procedures and prior audit completion, corrective actions from finding 2022-001 could not be implemented to correct noncompliance.

The City's purchasing policy does not include procedures to verify suspension and debarment status for covered transactions it intends to pay with federal funds. The City was not aware of the suspension and debarment requirements at the time the covered transactions were entered into.

Effect

Without the proper implementation of an effectively designed system of internal controls, the City cannot demonstrate they obtained an adequate number of price or rate quotations prior to selecting a vendor. Therefore, the City could have overpaid for the services obtained.

In addition, the City cannot ensure that contractors paid with federal funds are eligible to participate in federal programs. Any program funds the City used to pay contractors that have been suspended or debarred would be unallowable, and the funding agency could potentially recover them.

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 recommend that management of the City strengthen its system of internal controls to ensure that an adequate number of price or rate quotations are obtained and that all contractors that are paid \$25,000 or more, all or in part with federal funds, are not suspended or debarred from participating in federal programs before entering into contracts. We also recommended strengthening its policies and procedures to ensure appropriate supporting documentation for federal programs is retained to be presented for audit.

Views of Responsible Officials

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

FINDING 2023-002

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 Listing Number: 21.027
Federal Award Number and Year (or Other Identifying Number): IN0429
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2022-002.

Condition and Context

Recipients are required to submit quarterly or annually Project and Expenditure (P&E) reports to the U.S. Department of the Treasury (Treasury). The reporting periods, as well as the respective due dates, are based upon type of recipient and its population, as well as the recipient's allocation amount. Information to be reported includes projects funded, expenditures, and contracts for the appropriate reporting period.

The City was classified as a metropolitan city with a population below 250,000 residents that received an allocation of less than \$10 million in Coronavirus State and Local Fiscal Recovery Funds (SLFRF). As such, the initial P&E report, covering the period from March 3, 2021 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 April 30 each year.

The City submitted one P&E report during the audit period; however, the report was submitted without a review or oversight process in place to prevent, or detect and correct, errors. As a result, errors in reporting were identified. The cumulative obligations and current period obligations were incorrectly reported. The cumulative obligations and current period obligations reported was the total amount of grant funds received to date instead of actual funds obligated.

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). . . ."

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

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

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

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

Cause

The City's oversight process for filing the P&E report for the period April 1, 2022 to March 31, 2023, did not detect errors. Due to the timing of the P&E report submission and prior audit completion, corrective actions from finding 2022-002 could not be implemented to correct noncompliance.

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. As such, the City did not report cumulative obligations and current period obligations properly when filing the P&E report for the period April 1, 2022 to March 31, 2023.

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

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the City strengthen its system of internal controls to provide for segregation of duties in the preparation and review of federal reports to ensure appropriate reviews, approvals, and oversight are taking place. We also recommended the development of policies and procedures to ensure the City provides the Treasury with complete and accurate information for the P&E report.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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

City of Scottsburg

2 EAST McCLAIN AVENUE
SCOTTSBURG, INDIANA 47170
(812) 752-4343

SUMMARY SCHEDULE OF PRIOR FINDINGS

FINDING 2022-001

Fiscal year in which the finding initially occurred: 2022

Current Audit Period: 2023

Finding Subject: COVID-19-Coronavirus State and Local Fiscal Recovery Funds-Procurement and Suspension and Debarment

Summary of Finding: It was cited the city did not have a policy and internal controls for procurement and suspension and debarment. Additionally, the City did not have an adequate procurement and conflict of interest policy.

Status of Audit Finding:

Procurement Policy – Fully Corrected - Council passed a purchasing policy with Ordinance 2023-5 on February 27, 2023 which set guidance over compliance and internal controls over procurements.

Procurement – Partially Corrected. Due to the timing of 2022 audit report issuance and procurement awards tested during the 2023 audit, the internal controls and noncompliance could not be corrected in 2023. Council passed a purchasing policy with Ordinance 2023-5 on February 27, 2023 which set guidance over compliance and internal controls over procurements.

Conflict of Interest Policy – Fully Corrected. The City's 2023 Annual Personnel Policy includes section 6.8 "Business Ethics/Conflict of Interest" which serves as written standards of conduct covering conflicts of interest.

Suspension and Debarment – Not Corrected

Response Comments:

Procurement – Due to the timing of 2022 audit report issuance and procurement awards tested during the 2023 audit, the internal controls and noncompliance could not be fully corrected in 2023. No new program procurements were made in 2023. Council passed a purchasing policy with Ordinance 2023-5 on February 27, 2023 which set guidance over compliance and internal controls over procurements.

Suspension and Debarment – Not Corrected – Council passed a purchasing policy with Ordinance 2023-5 on February 27, 2023, suspension and debarment compliance and controls were not addressed in the policy. Due to the timing of 2022 audit report issuance and testing of covered transactions during the 2023 audit, the internal controls and noncompliance could not be corrected in 2023. No covered transactions were entered with program awards in 2023.

City of Scottsburg

2 EAST McCLAIN AVENUE
SCOTTSBURG, INDIANA 47170
(812) 752-4343

SUMMARY SCHEDULE OF PRIOR FINDINGS

FINDING 2022-002

**Fiscal year in which the finding initially occurred: 2022
Current Audit Period: 2023**

Finding Subject: COVID-19-State and Local Fiscal Recovery Funds-Reporting

Summary of Finding:

The annual report for COVID-19-state and Local Fiscal Recovery funds for 2021 for year ending March 31, 2022 was submitted with inaccurate cumulative obligations and current period obligations.

Status of Audit Finding:

Partially corrected and the original corrective action plan was implemented on the report filed by April 30, 2024.

Response Comments:

The 2022 Audit occurred after the report filing deadline; therefore, the entity was unaware of the mistake on the report filed by April 30, 2023. The corrective action plan is fully corrected.

City of Scottsburg

2 EAST McCLAIN AVENUE
SCOTTSBURG, INDIANA 47170
(812) 752-4343

CORRECTIVE ACTION PLAN

FINDING 2023-001

Finding Subject: COVID-19 – Coronavirus State and Local Fiscal Recovery Funds – Procurement and Suspension and Debarment

Summary of Finding:

The City did not have internal controls including policies and procedures to adhere to Procurement, Suspension and Debarment compliance requirements. As a result, the City failed to comply with requirements with Procurement, Suspension and Debarment.

Contact Person Responsible for Corrective Action: Janetta C. Hardy, Clerk-Treasurer
Contact Phone Number and Email Address: (812) 752-4343, Ext. #222, jhardy@scottsburg.in.gov

Views of Responsible Officials:

We concur with the finding.

Description of Corrective Action Plan:

Procurement – Due to the timing of 2022 audit report issuance and procurement awards tested during the 2023 audit, the internal controls and noncompliance could not be fully corrected in 2023. No new program procurements were made in 2023. Council passed a purchasing policy with Ordinance 2023-5 on February 27, 2023 which set guidance over compliance and internal controls over procurements.

Suspension and Debarment – Prior to entering into a covered transaction, the Deputy Clerk-Treasurer will verify the vendor or contractor has not been suspended and debarred. The Clerk-Treasurer will review the suspension and debarment verification done by Deputy Clerk-Treasurer.

Anticipated Completion Date:

Procurement – February 27, 2023

Suspension and Debarment – July 1, 2024

City of Scottsburg

2 EAST McCLAIN AVENUE
SCOTTSBURG, INDIANA 47170
(812) 752-4343

CORRECTIVE ACTION PLAN

FINDING 2023-002

**Finding Subject: COVID-19 – Coronavirus State and Local Fiscal Recovery Funds – Reporting
Federal Agency: Department of Treasury**

Summary of Finding:

The City did not have an effective oversight and review process in place to ensure the required P&E report submitted was accurate. As a result, the cumulative obligations and current period obligations were incorrectly reported for the P&E report submitted during the audit period.

**Contact Person Responsible for Corrective Action: Janetta C. Hardy, Clerk-Treasurer
Contact Phone Number and Email Address: (812) 752-4343, Ext. #222, jhardy@scottsburg.in.gov**

Views of Responsible Officials:

We concur with the finding.

Description of Corrective Action Plan:

Due to the timing of the P&E report submission and prior audit completion date, corrective actions from finding 2022-002 could not be implemented to correct noncompliance. Upon becoming aware of the correct amounts to be reported, this was able to be corrected going forward. This was fully corrected by submission of the annual 2023 Coronavirus State and Local Fiscal Report filed April 30, 2024.

Anticipated Completion Date:

Finding 2023-002 was fully corrected on April 30, 2024.

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/>.