

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

COMPLIANCE EXAMINATION REPORT

OF

CITY OF ROCHESTER

FULTON COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED

09/17/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Shoda D. Beehler E. Beth Stocking	01-01-23 to 12-31-23 01-01-24 to 12-31-24
Mayor	Theodore Denton Trent Odell	01-01-23 to 12-31-23 01-01-24 to 12-31-24
President of the Board of Public Works and Safety	Theodore Denton Trent Odell	01-01-23 to 12-31-23 01-01-24 to 12-31-24
President Pro Tempore of the Common Council	Brian Goodman	01-01-23 to 12-31-24



INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE FOR THE U.S. DEPARTMENT OF THE
TREASURY CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS PROGRAM (SLFRF)
REQUIREMENTS FOR AN ALTERNATIVE SLFRF COMPLIANCE EXAMINATION ENGAGEMENT

TO: THE MANAGEMENT OF THE CITY OF ROCHESTER, FULTON COUNTY, INDIANA

We have examined the City of Rochester's (City) compliance with the compliance requirements "activities allowed or unallowed" and "allowable costs/cost principles" (the specified requirements) as described in Part IV "Requirements for an Alternative Compliance Examination Engagement for Recipients That Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving SLFRF Awards" of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) section of the 2023 OMB *Compliance Supplement* (referred to herein as "Requirements for an Alternative SLFRF Compliance Examination Engagement") during the period January 1, 2023 to December 31, 2023.

Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA; the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in the "Requirements for an Alternative SLFRF Compliance Examination Engagement." Those standards and requirements require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above.

An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the City's compliance with the specified requirements referenced above.

In our opinion, the City complied, in all material respects, with the aforementioned requirements during the period January 1, 2023 to December 31, 2023.

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE FOR THE U.S. DEPARTMENT OF THE
TREASURY CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS PROGRAM (SLFRF)
REQUIREMENTS FOR AN ALTERNATIVE SLFRF COMPLIANCE EXAMINATION ENGAGEMENT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud; and noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the City's compliance with the specified requirements and any other instances that warrant the attention of those charged with governance. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on the City's compliance with the specified requirements and not for the purpose of expressing an opinion on the internal control over the specified requirements or on compliance and other matters; accordingly, we express no such opinions.

Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards* and those findings, along with the views of responsible officials, are described in the attached Schedule of Findings and Responses.

Intended Purpose

The purpose of this examination report is solely to express an opinion on whether the City complied, in all material respects, with the specified requirements referenced above during the period January 1, 2023 to December 31, 2023. Accordingly, this report is not suitable for any other purpose.



Beth Kelley, CPA, CFE
Deputy State Examiner

August 29, 2024

CITY OF ROCHESTER
SCHEDULE OF FINDINGS AND RESPONSES

FINDING 2023-001

Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds -
Activities Allowed or Unallowed, Allowable Costs/Cost Principles
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): 2023
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Audit Finding: Material Weakness

Condition and Context

Recipients may use State and Local Fiscal Recovery Funds (SLFRF) funds for any eligible expenses subject to the restrictions set forth in sections 602 and 603 of the Social Security Act as added by section 9901 of the American Rescue Plan Act of 2021 and amended by the Consolidated Appropriations Act of 2023. The SLFRF program provides substantial flexibility for each recipient to meet local needs within seven separate eligible use categories. Recipients may use SLFRF funds to:

- Respond to the COVID-19 public health emergency and its negative economic impacts;
- Respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of eligible employers that have eligible workers who are performing essential work;
- Provide government services, to the extent COVID-19 caused a reduction in revenues collected in the most recent full fiscal year of the recipient;
- Make necessary investments in water, sewer, or broadband infrastructure;
- Provide emergency relief from natural disasters or their negative economic impacts;
- Fund eligible Surface Transportation projects; and
- Fund Title I projects that are eligible activities under the Community Development Block Grant and Indiana Community Development Block Grant programs.

As part of sound management of the federal award, the City was responsible for implementing a system of internal controls that would ensure compliance with the applicable requirements. A single employee prepared and reviewed accounts payable vouchers without a documented review or oversight process in place to prevent, or detect and correct, errors that would have ensured that expenditures of award funds were made only for activities and costs that were allowable under the federal award and federal regulations.

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

CITY OF ROCHESTER
SCHEDULE OF FINDINGS AND RESPONSES
(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). . . ."

Cause

A proper system of internal controls, which would include segregation of duties, over SLFRF expenditures was not designed by management of the City in order to prevent, detect, or correct material noncompliance. 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. 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 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 of federal expenditures and reports 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 DOCUMENT

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

City of Rochester

320 Main Street * Rochester, IN 46975
Ph: 574-223-2510 * Fax: 574-223-6509 * www.rochester.in.us



Trent Odell, Mayor

Beth Stocking, Clerk-Treasurer

CORRECTIVE ACTION PLAN

FINDING 2023-001

Finding Subject: Covid 19 – Coronavirus State and Local Fiscal Recovery Funds – Activities Allowed or Unallowable Costs/Cost Principles.

Summary of Finding: Condition and Context:

An effective internal control system, which would include segregation of duties, was not in place at the City to ensure compliance with requirements related to the grant agreement and the Activities Allowed and Allowable Cost/Cost Principles Compliance requirements. The City had not properly designated 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. A single employee prepared and reviewed accounts payable vouchers without a documented review or oversight process in place to prevent or detect and correct errors.

Contact Person Responsible for Corrective Action: Beth Stocking

Contact Phone Number and Email Address: 574-223-7410, clerk@rochester.in.us

Views of Responsible Officials: *We concur with the finding*

Description of Corrective Action Plan:

The City of Rochester concurs with Finding 2023-001. The Clerk-Treasurer had been initiating and approving invoices for payment. I felt there were compensating controls as the Accounts Payable Clerk inputs the invoices for payment and checks that the coding is consistent with other invoices paid. Currently, every two weeks, the Clerk-Treasurer reviews a listing of all the claims and selects all invoices >\$10,000 to review. The analysis of significant invoices is presented to the Board of Public Works and Safety along with the claims for the two-week period for their review and approval. However, there was not a direct internal control for segregation of duties nor evidence that the Accounts Payable Clerk had reviewed the invoice before inputting during the audit period.

The lack of Segregation of Duties has occurred primarily because vendors send their pay applications with supporting documentation to the Clerk-Treasurer directly. All other invoices for the City of Rochester go through dual signature approval process. The department heads review every invoice for their department and sign off approving the invoices. The Clerk-Treasurer signs off and approves as well as performing a two-week period analysis and review prior to signing off on the claims. The Board of Public Works then signs off on the claims for the two-week period.

We have already implemented the following internal control addressing the lack of Segregation of Duties. For all invoices that are initiated by the Clerk-Treasurer, the Clerk-Treasurer signs the invoice as evidence that she is initiating the invoice and that the coding is proper. The Accounts Payable Clerk then reviews the invoice, processes it and signs the AP Voucher as the Reviewer.

Anticipated Completion Date: **August 29, 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/>.