

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

TOWN OF BROWNSBURG

HENDRICKS COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED
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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Ann Hathaway	01-01-23 to 12-31-24
President of the Town Council	Travis Tschaenn	01-01-23 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 TOWN OF BROWNSBURG, HENDRICKS 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 Town of Brownsburg (Town), for the year ended December 31, 2023, and the related notes to the financial statement, which collectively comprise the Town's financial statement and have issued our report thereon dated August 12, 2024, wherein we noted the Town 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 Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Town's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001, that we consider to be material weaknesses.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001.

Town of Brownsburg's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth Kelley, CPA, CFE
Deputy State Examiner

August 12, 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 TOWN OF BROWNSBURG, HENDRICKS COUNTY, INDIANA

Report on Compliance for the Major Federal Program

Qualified Opinion

We have audited the Town of Brownsburg's (Town) 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 Town'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 Opinions* section of our report, the Town 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 Town 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 Town'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 Town did not comply with requirements regarding 21.027 COVID-19 - Coronavirus State and Local Fiscal Recovery Funds, as described in item 2023-002 for Procurement and Suspension and Debarment. Compliance with such requirement is necessary, in our opinion, for the Town 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 Town'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 Town'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 Town'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 Town'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 Town'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 Town'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 2023-003. 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 Town's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The Town's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2023-002, to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2023-003, to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the Town's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The Town'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 Town, as of and for the year ended December 31, 2023, and the related notes to the financial statement. We issued our report thereon dated August 12, 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

August 12, 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 Town. The schedule and notes are presented as intended by the Town.

TOWN OF BROWNSBURG
 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 the Interior</u>					
Outdoor Recreation Acquisition, Development and Planning Virgil Park	Indiana Department of Natural Resources	15.916	1800647	\$ -	\$ 367,932
Total - Department of the Interior				-	367,932
<u>Department of Justice</u>					
Bulletproof Vest Partnership Program	Direct Grant	16.607			
Bullet Proof Vest Grant			2021BUBX21028544	-	6,813
Bullet Proof Vest Grant			2022BUBX22033265	-	728
Total - Bulletproof Vest Partnership Program				-	7,541
Regional Information Sharing Systems Organized Crime - Drug Enforcement Task Force	Direct Grant	16.610	CY2023	-	22,986
Equitable Sharing Program Equitable Sharing Program	Direct Grant	16.922	CY2023	-	40,828
Total - Department of Justice				-	71,355
<u>Department of Transportation</u>					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
Hornaday Dr and Airport Rd			1601056	-	15,386
Green St and Airport Rd Roundabout			1701586	-	102,213
CR 700 North Reconstruction			1701590	-	182,992
Total - Highway Planning and Construction				-	300,591
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	Indiana Criminal Justice Institute	20.608			
CHIRP - Hendricks County TSP Click It or Live It/DUI Taskforce			CHIRP 2023-00085	16,046	22,336
CHIRP - Hendricks County TSP Click it to Live It/DUI Taskforce			CHIRP-2023-00085	34,741	50,881
Total - Minimum Penalties for Repeat Offenders for Driving While Intoxicated				50,787	73,217

TOWN OF BROWNSBURG
 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
Highway Safety Cluster					
National Priority Safety Programs	Indiana Criminal Justice Institute	20.616			
2023 Stop Arm Violation Enforcement (SAVE)			032NHTSA4022020	17,203	25,818
Total - Highway Safety Cluster				17,203	25,818
Total - Department of Transportation				67,990	399,626
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Direct Grant	21.027			
ARP Coronavirus Recovery Fund			FY2023	-	4,333,484
Total - Department of the Treasury				-	4,333,484
<u>Environmental Protection Agency</u>					
Drinking Water State Revolving Fund Cluster					
Drinking Water State Revolving Fund	Direct Grant	66.468			
Lead Service Line (LSL) Inventory Funding Program			IN5232002	-	12,500
SRF Water Bonds Loan			IN5232002	-	122,504
Total - Drinking Water State Revolving Fund Cluster				-	135,004
Total - Environmental Protection Agency				-	135,004
<u>Department of Homeland Security</u>					
National Urban Search and Rescue (US&R) Response System	City of Indianapolis	97.025			
Taskforce 1 - Hurricane Ian Deployment			EMW-2018-CA-USR0013	-	90
Taskforce 1 - Hawaii Deployment			EMW-2023-CA-USR-0013	-	30,366
Total - National Urban Search and Rescue (US&R) Response System				-	30,456
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Indiana Department of Homeland Security	97.036			
COVID-19 Disaster Grants			38521EMPG	-	4,949
Total - Department of Homeland Security				-	35,405
Total federal awards expended				\$ 67,990	\$ 5,342,806

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

TOWN OF BROWNSBURG
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 Town 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 Town, it is not intended to and does not present the financial position of the Town.

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 Town has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

TOWN OF BROWNSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

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

Identification of Major Program and type of auditor's report issued on compliance for it:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Qualified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2023-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Condition and Context

Financial information is required to be entered annually into the Indiana Gateway for Government Units (Gateway) financial reporting system, which is the source of the Town's Annual Financial Report (AFR or financial statement).

The Town designed and implemented a process wherein the Clerk-Treasurer compiled and entered the federal award information into Gateway, and the Deputy Clerk-Treasurer subsequently reviewed the information entered. However, the review was not effective and did not detect and allow for correction of errors prior to submission.

TOWN OF BROWNSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Due to the lack of effective internal controls the financial statement presented for audit included the following errors:

- Payroll Withholding fund receipts and disbursements were each understated by \$3,612,737.
- Other immaterial errors, including disbursements for the Self-Insurance fund being understated, caused an overall overstatement of the ending cash and investment balance of the fund in the amount of \$169,164.

In addition, the Schedule of Leases and Debt included the following errors:

- The ending principal balance was overstated by \$6,960,000, and the principal due in 2024 was overstated by \$25,000 due to reporting the debt for a Grant Purchase Agreement twice.
- The ending principal balance was understated by \$6,000,000, and the principal due in 2024 was understated by \$8,000 due to the omission of the Waterworks Bonds 2023.

Audit adjustments were proposed, accepted by the Town, and made to the financial statement and the Schedule of Leases and Debt presented in the Financial Statement Audit Report of the Town.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

All financial information of the entity shall be included on the financial statement even if the activity has not been included in the financial records of the entity. (Accounting and Financial Reporting Regulation Manual, Part III: Financial Reporting Requirements - Local Governmental Units)

TOWN OF BROWNSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management of the Town had not established an effective system of internal controls that would have ensured proper reporting of the AFR and the Schedule of Leases and Debt.

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements of the AFR and Schedule of Leases and Debt remained undetected. The financial statement and debt schedule contained the errors identified in the *Condition and Context*.

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2023-002

Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery
Funds - Procurement and Suspension and Debarment
Federal Agency: Department of the Treasury
Federal Program: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
Assistance Listings Number: 21.027
Federal Award Number and Year (or Other Identifying Number): FY2023
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

Procurement

Federal regulations require formal procurement methods when the value of the procurement for property or services exceeds the simplified acquisition threshold (SAT), which is set at \$250,000 unless a lower more restrictive threshold is set by a nonfederal entity. As Indiana Code has a more restrictive threshold of \$150,000, this threshold and formal procurement methods must be used when procuring goods and services in excess of \$150,000. Formal procurement methods require following documented procedures and obtaining sealed bids or proposals.

The Town had a documented procurement policy; however, the Town did not follow its policy for one of the two vendors that exceeded the simplified acquisition threshold. The vendor, paid \$2,419,821, was chosen without obtaining sealed bids or proposals, nor was a formal contract entered into with the vendor. Furthermore, there was no documentation detailing the history of the procurement or the Town's justification for limiting competition.

The lack of effective internal controls and noncompliance were isolated to the one vendor noted above.

TOWN OF BROWNSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 nonprocurement transaction (i.e., grant agreement) that are expected to equal or exceed \$25,000. The verification is done by checking the Excluded Parties List System (EPLS), collecting a certification from that vendor, or adding a clause or condition to the covered transaction with that vendor.

The Town's policies related to the SLFRF suspension and debarment requirements included a clause or condition added to covered transactions expected to equal or exceed \$25,000 with that vendor. Three vendors were identified as having transactions that equaled or exceeded \$25,000. All three vendors were selected for testing.

The three vendors, with total expenditures of \$4,333,484, were reviewed. For all three vendors, the Town did not have documented evidence that the clause was included in the contract with the vendor nor that any other methods were employed to verify the vendor was not suspended, debarred, or other excluded prior to entering into the transactions.

The lack of internal controls and noncompliance were systematic 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). . . ."

2 CFR 200.318 states in part:

"(a) The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in §§ 200.317 through 200.327. . . ."

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

TOWN OF BROWNSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.324(a) states:

"The Non-Federal entity must perform a cost or price analysis in connection with every procurement action in excess of the Simplified Acquisition Threshold including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, the non-Federal entity must make independent estimates before receiving bids or proposals."

2 CFR 200.320 states in part:

". . . (b) *Formal procurement methods.* When the value of the procurement for property or services under a Federal financial assistance awards exceeds the SAT, or a lower threshold established by a non-Federal entity, formal procurement methods are required. Formal procurement methods require following documented procedures. Formal procurement methods also require public advertising unless a non-competitive procurement can be used in accordance with § 200.319 or paragraph (c) of this section. The following formal methods of procurement are used for procurement of property or services above the simplified acquisition threshold or a value below the simplified acquisition threshold the non-Federal entity determines to be appropriate:

(1) *Sealed bids.* A procurement method in which bids are publicly solicited and a firm fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bids method is the preferred method for procuring construction, if the conditions.

(i) In order for sealed bidding to be feasible, the following conditions should be present:

- (A) A complete, adequate, and realistic specification or purchase description is available;
- (B) Two or more responsible bidders are willing and able to compete effectively for the business; and
- (C) The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

(ii) If sealed bids are used, the following requirements apply:

- (A) Bids must be solicited from an adequate number of qualified sources, providing them sufficient response time prior to the date set for opening the bids, for local, and tribal governments, the invitation for bids must be publicly advertised;
- (B) The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;
- (C) All bids will be opened at the time and place prescribed in the invitation for bids, and for local and tribal governments, the bids must be opened publicly;

TOWN OF BROWNSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(D) A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and

(E) Any or all bids may be rejected if there is a sound documented reason.

(2) *Proposals.* A procurement method in which either a fixed price or cost-reimbursement type contract is awarded. Proposals are generally used when conditions are not appropriate for the use of sealed bids. They are awarded in accordance with the following requirements:

(i) Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Proposals must be solicited from an adequate number of qualified offerors. Any response to publicized requests for proposals must be considered to the maximum extent practical;

(ii) The non-Federal entity must have a written method for conducting technical evaluations of the proposals received and making selections;

(iii) Contracts must be awarded to the responsible offeror whose proposal is most advantageous to the non-Federal entity, with price and other factors considered; and

(iv) The non-Federal entity may use competitive proposal procedures for qualifications based procurement of architectural/engineering (A/E) professional services whereby offeror's qualifications are evaluated and the most qualified offeror is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services through A/E firms that are a potential source to perform the proposed effort.

(c) *Noncompetitive procurement.* There are specific circumstances in which noncompetitive procurement can be used. Noncompetitive procurement can only be awarded if one or more of the following circumstances apply:

(1) The acquisition of property or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (see paragraph (a)(1) of this section);

(2) The item is available only from a single source;

(3) The public exigency or emergency for the requirement will not permit a delay resulting from publicizing a competitive solicitation;

(4) The Federal awarding agency or pass-through entity expressly authorizes a noncompetitive procurement in response to a written request from the non-Federal entity; or

(5) After solicitation of a number of sources, competition is determined inadequate."

TOWN OF BROWNSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

31 CFR 19.300 states:

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

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

Cause

The Town did not adhere to its procurement policy as written. Instead, a vendor was selected based on factors other than solicited bids. In addition, the Town was unable to provide documentation to demonstrate they included a clause in contracts or otherwise verified contractors were not suspended, debarred, or otherwise excluded prior to entering into the transaction as a direct result of the Town's policy not addressing those vendors not requiring a contract and not following the policy for those vendors who had a contract.

Effect

Without the proper implementation of an effectively designed system of internal controls, the Town cannot ensure goods and services were properly procured. As a result, one vendor paid did not have adequate documentation to support that the appropriate bid process was followed or that nonprocurement procedures were permissible.

Furthermore, without the proper implementation of an effectively designed system of internal controls, the Town cannot ensure the vendors paid with federal funds are eligible to participate in federal programs. Any program funds the Town used to pay vendors that have been suspended or debarred would be unallowable.

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommend that management of the Town establish a proper system of internal controls and develop policies and procedures to ensure contractors and subrecipients, as appropriate, are not suspended, debarred, or otherwise excluded prior to entering contracts or subawards, and document reasons for vendors that are chosen without adhering to formal procurement methods.

Views of Responsible Officials

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

TOWN OF BROWNSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2023-003

Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Reporting
Federal Agency: Department of the Treasury
Federal Program: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
Assistance Listings Number: 21.027
Federal Award Number and Year (or Other Identifying Number): FY2023
Compliance Requirement: Reporting
Audit Finding: Significant Deficiency

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 Town was classified as a metropolitan town with a population below 250,000 residents that received an allocation of less than \$10 million in COVID-19 - 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 Town submitted one P&E report during the audit period as required; however, there were no internal controls in place that would likely be effective in preventing, or detecting and correcting, noncompliance related to the P&E report. The Clerk-Treasurer prepared and submitted the report without an oversight or review process.

The lack of internal controls and noncompliance were systematic 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). . . ."

TOWN OF BROWNSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. . . ."

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 Town did not implement an effectively designed system of internal controls over reporting. There was no indication of internal controls in place over Reporting.

Effect

Without the proper implementation of an effectively designed system of internal controls over Reporting, the Town cannot ensure that the reports submitted are materially accurate and correct. If there was a proper implementation of an effectively designed system of internal controls over Reporting, the Town would be able to detect any errors prior to submission.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the Town design and implement a proper system of internal controls, including policies and procedures to ensure that the Town 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.

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AUDITEE-PREPARED DOCUMENT

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

CORRECTIVE ACTION PLAN

FINDING 2023-001

Finding Subject: Financial Transactions and Reporting

Summary of Finding: Material Weakness, Noncompliance

Contact Person Responsible for Corrective Action: Ann Hathaway

Contact Phone Number and Email Address: 317-852-1126 ahathaway@brownsburg.org

Views of Responsible Officials:

We concur with the finding that some errors in information were made on the financial statement. Internal Controls cannot eliminate all errors. However, we will review the process and make changes where necessary.

Description of Corrective Action Plan:

It may be possible to have our software company include the payroll postings during the upload. These traditionally have needed to be put in by hand. Because the ending balance matched, the missing detail was not discovered. Any other items are review oriented and will be addressed in the abovementioned process change.

Anticipated Completion Date:

3/1/2025

CORRECTIVE ACTION PLAN

FINDING 2023-002

Finding Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Procurement and Suspension and Debarment
Summary of Finding: Material Weakness, Modified Opinion

Contact Person Responsible for Corrective Action: Aaron Kaytar
Contact Phone Number and Email Address: 317-852-1120 akaytar@brownsburg.org

Views of Responsible Officials:
We concur with the findings.

Description of Corrective Action Plan:

In 2023 a Purchasing Policy was implemented for all departments to follow. It states:

1. For Purchases Under \$50,000
 - a. Purchases or Contracts of \$1,000 or Less
 - i. Shall be reviewed and approved by the designated Purchasing Agent.
 - ii. The Department Head, Procurement Manager and Town Manager reserve the right to deny any Purchase.
 - iii. Contracts should be submitted to the Clerk-Treasurer's Office for retention.
 - b. Purchases or Contract between \$1,000 and \$10,000
 - i. Shall be reviewed and approved via a Requisition Form by the Purchasing Agent/Department Head.
 - ii. The Procurement Manager and Town Manager reserve the right to deny any Purchase.
 - iii. Contracts should be submitted to the Clerk-Treasurer's Office for retention.
 - iv. Any new purchase that meets the asset requirement (\$5,000 or more) MUST be reported to the Clerk-Treasurer's Office.
 - c. Purchases or Contracts between \$10,000 and \$50,000
 - i. Shall be reviewed and approved via a Requisition Form by the Department Head, Procurement Manager and Town Manager.
 - ii. Should have (3) formal quotes from different vendors.
 - iii. The Procurement Manager and Town Manager reserve the right to deny any Purchase.
 - iv. Contracts should be submitted to the Clerk-Treasurer's Office for retention.
 - v. Any new purchase that meets the asset requirement (\$5,000 or more) MUST be reported to the Clerk-Treasurer's Office.
 - d. Purchases of at Least \$50,000 and Less Than \$150,000
 - i. Shall be reviewed and approved by the Department Head, Procurement Manager, Town Manager and Town Council.
 - ii. The information shall be presented to Town Council and should contain (3) formal quotes from different vendors.
 - iii. Contracts should be submitted to the Clerk-Treasurer's Office for retention.
 - iv. Any new purchase that meets the asset requirement (\$5,000 or more) MUST be reported to the Clerk-Treasurer's Office.
 - e. Purchases of \$150,000 or More
 - i. Shall be submitted via a formal bidding process.
 - ii. Shall be reviewed by Department Heads, Procurement Manager, Town Manager and Town Council.
 - iii. Contracts should be submitted to the Clerk-Treasurer's Office for retention.
 - iv. Any new purchase that meets the asset requirement (\$5,000 or more) MUST be reported to the Clerk-Treasurer's Office.
2. To provide services to the Town of Brownsburg, you must not be debarred, suspended, or otherwise be excluded from or ineligible for participation in federally assisted programs under Executive Order 12549.

Anticipated Completion Date:

Policy change 2023. Purchase order change 8/31/2024.

CORRECTIVE ACTION PLAN

FINDING 2023-003

Finding Subject: COVID-19 Coronavirus State and Local Fiscal Recovery Funds - Reporting
Summary of Finding: Significant Deficiency

Contact Person Responsible for Corrective Action: Ann Hathaway
Contact Phone Number and Email Address: 317-852-1126 ahathaway@brownsburg.org

Views of Responsible Officials:

We concur with the finding that there was not a review in place prior to submitting the report for 3/31/2023. The rules, dates and requirements were quickly changing for the reporting of the Coronavirus State and Local Fiscal Recovery Funds. With there being only one project and a relatively small amount spent, the report was filed with no errors.

Description of Corrective Action Plan:

The 3/31/2024 report was reviewed and further reports will be going forward.

Anticipated Completion Date:

Immediately

OTHER REPORTS

In addition to this report, other reports may have been issued for the Town. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.