

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF GARY

LAKE COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED

09/16/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Mileak Harper	01-01-22 to 02-28-23
	M. Celita Green	03-01-23 to 12-31-24
Mayor	Jerome Prince	01-01-22 to 12-31-23
	Eddie D. Melton	01-01-24 to 12-31-24
President of the Board of Public Works and Safety	Trent A. McCain	01-01-22 to 12-31-23
	Michael L. Suggs	01-01-24 to 12-31-24
President of the Common Council	William G. Godwin	01-01-22 to 08-27-23
	Tai A. Adkins (acting)	08-28-23 to 12-31-23
	Tai A. Adkins	01-01-24 to 12-31-24
Executive Director of the Sanitary and Storm Water Management Districts	Daniel F. Vicari	01-01-22 to 01-12-22
	Charles Peller Jr.	01-13-22 to 10-01-23
	Rhonda Anderson	10-02-23 to 04-14-24
	Brenda Scott-Henry (interim)	04-15-24 to 12-31-24
President of the Board of Sanitary and Storm Water Commissioners	Maurice Mabon	01-01-22 to 01-21-22
	Daniel F. Vicari	01-22-22 to 12-31-23
	William Allen	01-01-24 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 GARY, LAKE 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 Gary (City), for the year ended December 31, 2022, and the related notes to the financial statement, which collectively comprise the City's financial statement and have issued our report thereon dated August 21, 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, 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 items 2022-001 and 2022-002, that we consider to be material weaknesses.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002.

We noted certain matters that we reported to management in a separate letter dated August 21, 2024.

City of Gary's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth Kelley, CPA, CFE
Deputy State Examiner

August 21, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH 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 GARY, LAKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Gary's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

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.

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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2022-003. Our opinion on each major federal program is not modified with respect to these matters.

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH 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 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 item 2022-003, to be material weaknesses.

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

Government Auditing Standards require the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statement of the City, as of and for the year ended December 31, 2022, and the related notes to the financial statement. We issued our report thereon dated August 21, 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 21, 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.

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CITY OF GARY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2022

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Commerce</u>					
Economic Development Cluster					
Investments for Public Works and Economic Development Facilities	Direct Grant	11.300			
Buffington Harbor Road Project			06-01-06008 URI: 109190	\$ -	\$ 423,625
Total - Economic Development Cluster				-	423,625
Total - Department of Commerce				-	423,625
<u>Department of Housing and Urban Development</u>					
CDBG - Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grants	Direct Grant	14.218			
Community Development Block Grant			B11MN180005	-	14,205
Community Development Block Grant			B18MC180005	-	7,600
Community Development Block Grant			B19MC180005	-	353,253
Community Development Block Grant			B20MC180005	-	1,305,096
Community Development Block Grant			B21MC180005	66,267	2,503,881
Community Development Block Grant			B22MC180005	-	44,875
Subtotal - Community Development Block Grants/Entitlement Grants				66,267	4,228,910
COVID-19 - Community Development Block Grants/Entitlement Grants	Direct Grant	14.218	B20MW180005	240,029	334,126
Total - CDBG - Entitlement Grants Cluster				306,296	4,563,036
Emergency Solutions Grant Program	Direct Grant	14.231			
Emergency Solutions Grants Program			E-20-MC-180005	6,639	26,098
Emergency Solutions Grants Program			E-21-MC-180005	159,763	159,763
Subtotal - Emergency Solutions Grant Program				166,402	185,861
COVID-19 - Emergency Solutions Grant Program	Direct Grant	14.231	E-20-MW-180005	706,096	1,326,467
Total - Emergency Solutions Grant Program				872,498	1,512,328
Home Investment Partnerships Program	Direct Grant	14.239			
Home Investment Partnerships Program			M-15-MC-180203	-	7,215
Home Investment Partnerships Program			M-17-MC-180203	-	211,790
Home Investment Partnerships Program			M-19-MC-180203	-	25,352
Home Investment Partnerships Program			M-20-MC-180203	-	17,972
Home Investment Partnerships Program			M-21-MC-180203	-	233
Home Investment Partnerships Program			M-22-MC-180203	-	11,691
Total - Home Investment Partnerships Program				-	274,253
Total - Department of Housing and Urban Development				1,178,794	6,349,617

CITY OF GARY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2022

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Justice</u>					
Community-Based Violence Prevention Program Safe and Thriving Grant	Direct Grant	16.123	2017-MU-MU-K007	-	206,471
Treatment Court Discretionary Grant Program Gary City Court Second Chance Enhancement Program	Direct Grant	16.585	2019-DC-BX-0034	-	13,753
Equitable Sharing Program Equitable Sharing Program	Direct Grant	16.922	DEA-FY 2022	-	95,590
Total - Department of Justice				-	315,814
<u>Department of Transportation</u>					
Highway Safety Cluster State and Community Highway Safety State and Community Highway Safety	Indiana Criminal Justice Institute	20.600	69A37520300004020IN0	-	29,711
Total - Highway Safety Cluster				-	29,711
Highway Planning and Construction Cluster Highway Planning and Construction Highway Planning and Construction Highway Planning and Construction	Indiana Department of Transportation	20.205	DES # 1702158 DES # 1802973	- -	107,780 139,636
Total - Highway Planning and Construction Cluster				-	247,416
Total - Department of Transportation				-	277,127
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds Gary Health Department Coronavirus State and Local Fiscal Recovery Fund	Indiana State Department of Health Direct Grant	21.027	FY 2022 FY 2022	- -	8,413 22,877,423
Total - COVID-19 - Coronavirus State and Local Fiscal Recovery Funds				-	22,885,836
Total - Department of the Treasury				-	22,885,836
<u>Environmental Protection Agency</u>					
Beach Monitoring and Notification Program Implementation Grants Beach Monitoring and Notification Program Implementation Grants	Indiana Department of Environmental Management	66.472	CU-11E73102-0	-	29,925
Total - Environmental Protection Agency				-	29,925
<u>Department of Health and Human Services</u>					
Public Health Emergency Preparedness Gary Health Department	Indiana State Department of Health	93.069	NU90TP9220521	-	31,671

CITY OF GARY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2022

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
Immunization Cooperative Agreements Gary Health Department	Indiana State Department of Health	93.268	NH23IP922631	-	208,669
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) Northwest Indiana Health Department Health Cooperative Inc	Indiana State Department of Health	93.323	NU90TP922179	-	89,225
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response Gary Health Department	Indiana State Department of Health	93.354	NU90TP922179	-	35,603
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services Commission for Women-Project Emerge	Indiana Criminal Justice Institute	93.671	2001INFVPS	-	2,700
HIV Care Formula Grants Gary Health Department Gary Health Department	Indiana State Department of Health	93.917	X07HA31247 X07HA31247	- -	62,900 199,253
Total - HIV Care Formula Grants				-	262,153
HIV Prevention Activities Health Department Based Integrated HIV Programs for health departments to Support Ending the HIV Epidemic in the United States	Indiana State Department of Health	93.940	NU62PS924556	-	72,982
Sexually Transmitted Diseases (STD) Prevention and Control Grants Gary Health Department	Indiana State Department of Health	93.977	NH25PS005191	-	112,700
Maternal and Child Health Services Block Grant to the States Maternal and Child Health Services Block Grant to the States	Indiana State Department of Health	93.994	B04MC30611	-	23,430
Total - Department of Health and Human Services				-	839,133
Total federal awards expended				<u>\$ 1,178,794</u>	<u>\$ 31,121,077</u>

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

CITY OF GARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2022. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

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

CITY OF GARY
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 programs:	
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 Programs and type of auditor's report issued on compliance for each:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
14.231	Emergency Solutions Grant Program	Unmodified
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$933,632

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2022-001

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

Repeat Finding

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

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

Condition and Context

There were several deficiencies in the internal control system of the City related to financial transactions and reporting. There was a lack of segregation of duties as the City had not separated incompatible activities related to cash and investments, journal entries, receipts, disbursements, and reporting to ensure the accuracy and timeliness of the recordkeeping.

In addition, the Sanitary District's computer network was compromised in February of 2023. As a result, documentation of internal control procedures, such as approvals, were not available for audit.

Furthermore, the City did not have a process to identify or communicate corrective actions to improve internal controls. Effective internal controls over financial reporting required the City to assess risk and communicate and monitor the quality of the system of internal controls.

Cash and Investments (Bank Reconciliations) - City

Internal controls had not been designed to ensure reconcilements of the accounting record balances to the bank depository balances were completed at least monthly, as required by state statute. Furthermore, a process was not in place to ensure a combined summary monthly bank reconciliation was prepared timely to ensure that individual bank reconcilements, including the Sanitary District, agreed to the ledger and financial statement balance.

As of November 2023, the City had not reconciled a majority of the bank accounts as of December 31, 2022. As such, the City was provided additional time to prepare the required monthly reconcilements. Reconcilements as of December 31, 2022, were completed as of January 2024. Additional audit procedures were performed to test the December 31, 2022 reconcilements provided.

In reviewing the documentation provided, we noted the following items:

- Receipt transactions that were either double or not timely posted or reported were included in the reconciling items. This resulted in receipts being overstated in the American Rescue Plan fund by \$839,277 and understated in the WCI/UCI Benefit and Withholdings funds by \$2,921,875. The ledger and financial statement were adjusted for these items.
- Disbursement transactions that were either double or not timely posted or reported were included in the reconciling items. This resulted in disbursements being overstated in the US Steel Area fund by \$2,922,728 and understated in the American Rescue Plan and Withholdings funds by \$1,251,384. The ledger and financial statement were adjusted for these items.
- Outstanding checks detailed listings generated from the software system were determined to not be reliable for the operating bank accounts. The listings included electronic fund transfers (EFTs) and checks that had cleared the bank. Additional audit procedures were performed to determine the accuracy of the listings.

A combined bank reconciliation of all bank accounts, including the Sanitary District, identified a net variance of \$610,735 as of December 31, 2022, when compared to the adjusted ledger and financial statement. The net variance included a \$679,721 undocumented reconciling item. The ledger and financial statement were not adjusted for these variances.

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

Cash and Investments (Bank Reconciliations) - Sanitary District

The Sanitary District had designed a review process over the bank reconciliations; however, the process was not consistently documented throughout the audit period.

The process as designed was that a consultant prepared the reconciliation, and Sanitary District officials reviewed the reconciliation, documented by a signature, then uploaded the reconciliation to the Indiana Gateway for Government Units (Gateway) financial reporting system by the 15th of the second following month, to comply with the Gateway deadlines. However, for the three months tested, the bank reconciliations did not have documentation of a review process nor were uploads completed timely.

Additionally, the Sanitary District's 2022 bank reconciliations contained unidentified outstanding reconciling items and adjustments totaling \$13,766, unidentified outstanding checks totaling \$241,469, and unidentified deposits in transit totaling \$69,407 for which the Sanitary District could not provide supporting documentation to verify the validity and accuracy of the items. The ledger and financial statement were not adjusted for these variances.

Journal Entries

The City did not have an effective system of internal controls to ensure that journal entries were posted accurately and timely. One employee and the City Controller made all journal entries; however, there was no review process in place to ensure journal entries were posted accurately and timely.

Receipts - City

The City had not designed and implemented a process of review over receipts, specifically state and local distributions, to ensure they were recorded timely. Various local distributions totaling \$69,035 and various state distributions totaling \$84,086 received in 2022 were not recorded in the ledger or reported in the financial statement. Distributions received from the State of Indiana from 2018 to 2022, totaling \$997,302, had not been posted by the end of 2022; of these distributions, \$908,605 remained unposted as of April 2024. The financial statement was not adjusted for these distributions received and not timely posted.

Receipts - Sanitary District

The Sanitary District had designed a review process to ensure the accuracy, completeness, timeliness, and classification of the receipts posted as a part of the monthly bank reconciliation. However, documentation of the review process over the bank reconciliations, which included the review process for receipts, was not consistently documented throughout the audit period as noted above under *Cash and Investments (Bank Reconciliations) - Sanitary District*.

Disbursements - Sanitary District

The Sanitary District designed a review process to ensure the accuracy, completeness, timeliness, and classification of the disbursements posted. However, documentation of the review process, which included email documentation, was not available.

Health Insurance Disbursements

An effective internal control system was not in place to ensure that monthly health insurance premium payments were recorded accurately.

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

Disbursements for payroll withholdings for health insurance benefits for 2022 were posted throughout the year; however, the amounts posted did not agree to the amounts electronically transferred out of the City's bank accounts each month. Disbursements for payroll withholdings for health insurance benefits for 2022, totaling \$4,327,641, were posted in December 2022 and not monthly at the time of transaction.

Additionally, the 2020 overstatement of disbursements totaling \$1,186,883 that were to be voided, remained on the December 31, 2022 reconcilements as reconciling items. As of April 2024, only \$824,407 of this outstanding total had been voided. The financial statement was not adjusted for this item.

Payroll Disbursements

The City did not have documented internal controls over payroll disbursements. The City contracted with an outside vendor for the processing of payroll. The department head or timekeeper was to review their respective employees' pay, hours worked, and fund and account paid from; however, the review was not documented or provided for audit. Additionally, either the City Controller or Accountant were to review payroll reports prior to payment; however, this process was not consistently documented.

Financial Reporting

The City prepared and submitted the financial information into Gateway, which was the source for the financial statement, from the City's financial accounting system. There was no evidence of an oversight or review process to detect and correct errors prior to submission.

Due to the lack of internal controls over cash and investments, journal entries, receipts, and disbursements, the following adjustments were proposed, accepted by the City, and made to the financial statement and the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances presented as Other Information in the Financial Statement Audit Report of the City:

- Receipt reconciling items, as noted under *Cash and Investments (Bank Reconciliations) - City* and *Cash and Investments (Bank Reconciliations) - Sanitary District*, were noted for the WCI/UCI Benefit, the American Rescue Plan, and the Withholdings funds, which resulted in receipts being understated by \$2,082,597.
- Disbursement reconciling items, as noted under *Cash and Investments (Bank Reconciliations) - City* and *Cash and Investments (Bank Reconciliations) - Sanitary District*, were noted for the US Steel Area, the American Rescue Plan, and the Withholdings funds, which resulted in disbursements being overstated by \$1,671,344.
- The Withholdings fund receipts and disbursements were overstated by \$11,194,125 and \$11,194,626, respectively. The overstatements were due to the City converting from a three-digit fund number to a four-digit fund number as required.
- Accounts receivable balancing entries which were the net of the monthly amounts billed, penalties assessed, any adjustments, and payments made by customers, were incorrectly reported as receipts and disbursements in the GSD Wwtp General Operating fund. This resulted in the GSD Wwtp General Operating fund receipts and disbursements to be overstated by \$29,557,095 each.

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

- The City reported an amount that was posted in 2022 and applied to the 2021 financial statement. This resulted in the GSD Equipment Replacement fund receipts to be overstated by \$971,860.

Criteria

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

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:

"Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment is the process used to identify and assess internal and external risks to the achievement of objectives, and then establish risk tolerances. Each identified risk is evaluated in terms of its impact and likelihood of occurrence. Overall, risk assessment is the basis for determining how risk will be managed. . . .

Management identifies risks to the achievement of the political subdivision's objectives across the unit as a whole and within each office or department. Analysis of risk through determination of objective measures and variance tolerance is the basis for determining how the risks should be managed. The response to risk is selected: acceptance, avoidance, reduction, or sharing. . . .

Internal control is a process, and part of that process is the responsibility for management to be continually aware of changes, both external and internal, that could affect the achievement of the political subdivision's objectives. Those changes should be analyzed for both their immediate effect and for any future impact. Management would then determine any modifications needed in the internal control process to adapt to these changes."

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

"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. Clear documentation should be maintained for continuity as well as ease of communication to outside parties."

"Relevant information from both internal and external sources is necessary to support the functioning of the other components of internal control. Communication is the continual process of providing, sharing, and obtaining necessary information. Internal communication enables personnel to receive a clear message that control responsibilities are taken seriously by the organization. External communication enables relevant outside information to be internalized and internal information to be clearly communicated to external parties."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

Cause

A system of internal controls was not designed or implemented by management of the City, which would include segregation of key functions. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the City's management expectation of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies. An evaluation of the City's system of internal controls had not been conducted. Management had not conducted a risk assessment related to the City's financial transactions.

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements of the financial statement remained undetected. The financial statement included the errors identified in the *Condition and Context*.

The failure to assess risk, communicate, and monitor the internal control system placed the City at risk that internal controls may not be either designed properly or operating effectively to provide reasonable assurance that internal controls will prevent, or detect and correct, misstatements in a timely manner.

Views of Responsible Officials

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

FINDING 2022-002

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2021-002.

Condition and Context

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

The City failed to properly review the federal grant information prepared and submitted in Gateway. Although the Grant Administrator compiled and entered the federal award information into Gateway and the Senior Accountant reviewed and approved the information entered, the City was unable to provide evidence of the review. Furthermore, the internal control was not effective and did not detect nor allow correction of errors prior to submission.

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

- Several grants had individually immaterial errors that resulted in misstatements of expenditures of \$2,757,470 in total.
- Other errors included amounts passed through to subrecipients and identifying numbers.

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

Audit adjustments were proposed, accepted by the City, and made to the Annual Financial Report (AFR) grant schedule, which is the source of the SEFA presented in this report.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control . . ."

2 CFR 200.1 states in part:

". . . *Internal controls* for non-Federal entities means:

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - (i) Effectiveness and efficiency of operations;
 - (ii) Reliability of reporting for internal and external use; . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section § 200.510 . . ."

2 CFR section 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.

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

- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414."

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

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

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. . . ."

Cause

Management of the City had not established an effective system of internal controls that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition and Context*.

Views of Responsible Officials

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

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2022-003

Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Allowable Costs/Cost Principles
Federal Agency: Department of 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): FY 2022
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Condition and Context

Allowable costs are based on the premise that a recipient is responsible for the effective administration of the federal award, application of sound management practices, and administration of federal funds in a manner consistent with the program objectives and terms and conditions of the awards. State and Local Fiscal Recovery Funds (SLFRF) recipients must implement internal controls and effective monitoring to ensure compliance with the cost principles.

Costs were charged to the SLFRF award in two ways. Either directly, as an expense to the fund at the time of initial posting, or indirectly via a journal entry after the initial time of posting. Costs charged directly at the time of initial posting were reviewed and approved by an individual that had knowledge of the activity. Costs charged to the SLFRF award indirectly via a journal entry were completed by one employee with no review process in place to ensure the journal entry posted was allowable, accurate, and timely.

Due to the lack of effective internal controls over direct payroll postings, 2 deviations out of 13 payroll transactions tested were not supported due to the City incorrectly calculating the firefighter overtime wages. The deviations noted were for the pay periods ending March 27, 2022, and July 3, 2022. This time frame was covered in an audit conducted by the Department of Labor (DOL). The audit conducted by the DOL was over the City's payroll pertaining to firefighter and paramedic overtime wages. The audit covered the period of March 8, 2020 to October 29, 2022, and concluded that the City underpaid 172 firefighters/paramedics due to incorrectly calculating the overtime wages for the audit period covered.

Based on the audit conducted by the DOL, we tested two employees' payrolls from November 4, 2022 through December 30, 2022, which consisted of 10 additional transactions, to determine if the City had corrected the calculations after the audit period that was covered by the DOL audit. This testing identified that the City had not corrected the calculation issue for the overtime wages for these two employees which resulted in 9 additional deviations of noncompliance.

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:

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

(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 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

Cause

A proper system of internal controls over payroll transactions was not effective to ensure that the City correctly calculated firefighter wages that were paid from the COVID-19 - Coronavirus State and Local Fiscal Recovery Funds grant. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the City's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As such, costs paid from the SLFRF funds for overtime pay to firefighters and paramedics was not adequately documented. 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 to ensure that the City's payroll is calculated properly based on the Fair Labor Standards Act (FLSA) requirements.

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 DOCUMENTS

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



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M. CELITA GREEN
City Controller

YVETTE WILLIAMS
Deputy Controller

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-001 and 2021-001

Fiscal year in which the finding initially occurred: 2018

Current Audit Period: 2022

Finding Subject: Financial Transactions and Reporting

Summary of Finding:

Material weaknesses/non-compliances in areas of bank reconciliations, medical insurance payment claims, and payroll disbursement documentation.

Status of Audit Finding: Partially Corrected

Response Comments:

CASH, INVESTMENTS, AND BANK RECONCILIATIONS – CITY

The City is consistently and diligently working to complete its bank reconciliations in an accurate timely manner. The 2022 bank reconciliations have been completed, and we are on schedule to complete the 2023 bank reconciliations by April 30, 2024. The timely completion of monthly reconciliations, and the monthly summary bank reconciliations are still a work in progress, however the summary bank reconciliation for 2022 and 2023 will be completed annually, with the goal of beginning the monthly summary bank reconciliations with the 2024 bank reconciliations.

CASH, INVESTMENTS, AND BANK RECONCILIATIONS; RECEIPTS; DISBURSEMENTS – SANITARY DISTRICT

The Sanitary District is consistently and diligently working to complete its bank reconciliations in an accurate and timely manner. The 2022 and 2023 bank reconciliations have been completed, and currently all 2024 bank reconciliations have been completed and reviewed on time through May 2024. The timely completion of bank recs serves to address the audit findings on receipts and disbursements as well.

JOURNAL ENTRIES

The Finance department use of a journal entry form to prepare and approve journal entries and provide documentation is still a work in progress.

RECEIPTS – CITY

The city continues to address the timely recording and the oversight to ensure accuracy, timeliness, and completeness of posting revenues.

HEALTH INSURANCE DISBURSEMENTS

The method to accounting for medical insurance claims have differed beginning in the 4th quarter of 2021, due to a change in the Payroll software, and transferring of payroll data from the new payroll vendor to the financial software system, as well as reimbursement restrictions on the uses of the ARPA funds. The process became more complicated due to these factors, and is still a work in progress, with a more measurable improvement to be seen in 2024, when the city and GSD converts back to its more compatible payroll and financial system. This circumstance initially resulted in some difficulty producing bank recs timely. The city continues to work to reconcile its health benefit claims to the insurance provider's invoices, and the bank statements, as a work-in-progress.

PAYROLL DISBURSEMENTS

We continue to use the transmittals that were reinstated in 2023 for department heads to review and certify payment of payroll for their departments. Additionally, we have reinstated PA (personnel authorization forms) to be signed by department heads for any changes in personnel and payroll, according to the Council approved budget.

FINANCIAL REPORTING

The City recently hired a Finance Manager who is currently suggesting changes in the Finance office to be able to provide more oversight. We expect to see a result of the Finance Manager's oversight this year in areas of weaknesses and non-compliance. The city is striving to make a greater effort in 2024 to address segregation of duties and hire additional staff where necessary.



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City Controller

YVETTE BARKER
Deputy Controller

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-002 and 2021-002

Fiscal year in which the finding initially occurred: 2017
Current Audit Period: 2022

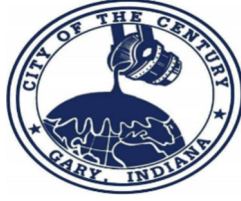
Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards (SEFA)
Summary of Finding:

Material weaknesses/non-compliances the SEFA reporting in the gateway financial reporting system.

Status of Audit Finding: Not corrected

Response Comments:

The City has created a form to be used to sign-off for entry, and review and approval for the Gateway reporting beginning in 2023. Additionally, an accounting firm has been hired to not only account for and bring fixed asset inventory reporting up-to-date, but to train finance staff on SEFA reporting, and to train and assist in establishing a system that is conducive to SEFA reporting, that will begin in various grant recipient departments and assure that the Finance department is receiving adequate information to provide complete and accurate Gateway reporting.



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City Controller

YVETTE WILLIAMS
Deputy Controller

CORRECTIVE ACTION PLAN

FINDING 2022-001

Contact Person Responsible for Corrective Action: M. Celita Green-City, Jerome Foster-GSD
Contact Phone Number:219-881-1363

Views of Responsible Official: We concur.

Description of Corrective Action Plan:

Cash and Investments:

Bank reconciliations have been completed untimely for the past few years. Some contributing factors have been changes in the Controller's positions, as well as, other Finance staff positions, changes in the payroll financial system, and COVID. The City has and still is working with a consultant to get the bank reconciliations back to completion on a timely schedule. Once we are able to catchup, we should be able to get back on schedule with timely completions, and we will work to maintain the timely schedule. Untimely, completion directly affects untimely posting of receipts and disbursements that appear on the bank reconciliation as a reconciling item. We are now meeting with the staff and consultant at least twice per month to monitor progress of completion, uploading to Gateway/One Drive, and Posting. We will also prepare an ordinance to seek a write off of the net variance that has been on the Books since approximately 2020, and work with GSD and consultants regarding better identification of its items that unreconciled.

Journal Entries:

The Finance Dept maintains a JE entry form where either the Controller or Deputy Controller will prepare/initiate a JE with documentation, and the other will approve and/or enter the Journal Entry (JE). The forms and documentation are then filed by a Sr. Accountant for audit.

Receipts for City and GSD:

Many of the receipts that are recorded untimely are for grant departments. Although, there is a process that will assist in identify and recording receipts that are deposited by other governmental agencies into the City's bank accounts, the process is not working as effectively and timely as it should. We will work to create a process where there is an additional mechanism in the receipt process, where we are able to compare the deposits in the bank account for the month against the deposits in the financial system in a one step process, prior to bank reconciliation completion.

Disbursements:

GSD experienced a security breach on February 5, 2023, which unfortunately resulted in the loss of all email communications prior to that date. While traditionally, all email communications on our servers are maintained, this incident impacted our ability to retrieve historical records, including those related to the disbursement process for the Sanitary District. Since that event, GSD has successfully rebuilt its IT infrastructure with significantly improved safeguards. These measures have allowed us to resume our high standards of email retention and retrieval, ensuring full protection and availability of email communications moving forward

Health Insurance and Payroll Disbursements:

The City converted its payroll processing to an outside contractor in 3rd quarter of 2021. It was later found that the outside contractor information could not directly upload in the City's financial system with making some manual corrections. This system not only complicated the payroll process, but the insurance claims process, which was directly related to payroll. In most cases, wire transfers were already completed by the contractor, prior to the corrections, and there also needed to be corrected wire transfers. With the use of the new payroll contractor, the department city stopped using the transmittal process used to review and sign payroll. When it was requested from the contractor to develop a transmittal process, the request was never completed. The City department heads in 2023 converted back to its transmittal process, and the city is now in process of reverting back to its payroll system that was more compatible with its financial system.

Financial Reporting:

A form has been developed that reflects the employee/consultant who prepared, entered, reviewed, or approved the transactions that are entered into Gateway. Disbursements and Receipts that were reconciling items and not reported in the Annual Report were due to bank reconciliations being completed untimely and should be resolved with timely completion of bank reconciliations as the City continues its efforts to improve the timeliness of bank reconciliations.

GSD overstatement of receipts and disbursements for Accounts Receivables and Equipment Funds Overstatement will be reviewed with Consultants and GSD Financial staff to determine a better Process to record the accounts receivables between its billing system and the financial system.

Anticipated Completion Date: July 31, 2025



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City Controller

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CORRECTIVE ACTION PLAN

FINDING 2022-002

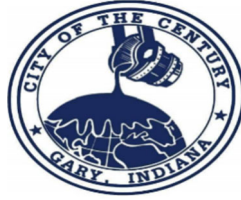
Contact Person Responsible for Corrective Action: M. Celita Green-City
Contact Phone Number:219-881-1363

Views of Responsible Official: We concur

Description of Corrective Action Plan:

In 2022, the Grant Administrator position was open, and there were several employees responsible for grant data, which increased the potential of errors. There is now a new Grant Administrator, which has centralized the function. As of today, we have hired a Financial consulting company to review the SEFA and the Grant Administration processes to assist in training and improving the processes to complete a more accurate SEFA.

Anticipated Completion Date: December 31, 2024



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City Controller

YVETTE WILLIAMS
Deputy Controller

CORRECTIVE ACTION PLAN

FINDING 2022-003

Contact Person Responsible for Corrective Action: M. Celita Green
Contact Phone Number: 219-881-1363

Views of Responsible Official: We concur

Description of Corrective Action Plan:

While it has been confirmed that most of the firefighters are currently receiving the corrected overtime wages as calculated by Department of Labor, it has recently been learned that the formula that was used to calculate the corrected wages has not been shared with the Fire Department. We will be working with the Fire Department in obtaining the corrected formula to use, so that Fire Staff will be able to approve the correct pay, prior to it being paid by payroll.

Anticipated Completion Date: December 31, 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/>.