

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

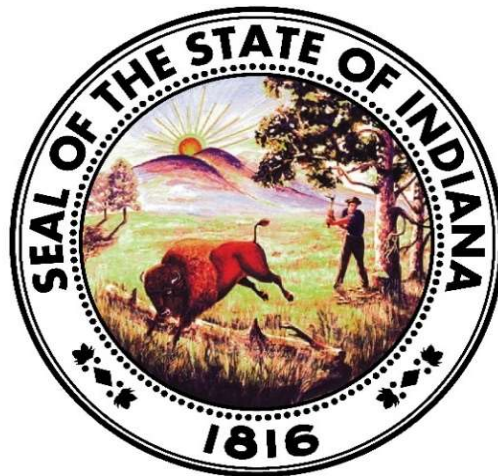
FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF RENSSELAER

JASPER COUNTY, INDIANA

January 1, 2023 to December 31, 2023



**FILED**

07/30/2024



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i> .....	3-4
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance .....	5-8
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards .....	11
Notes to Schedule of Expenditures of Federal Awards.....	12
Schedule of Findings and Questioned Costs.....	13-19
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	22-24
Corrective Action Plan .....	25-27
Other Reports.....	28

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Shelby Keys	01-01-23 to 12-31-24
Mayor	Stephen Wood Jeffrey S. Phillips	01-01-23 to 12-31-23 01-01-24 to 12-31-24
President of the Board of Public Works	Stephen Wood Jeffrey S. Phillips	01-01-23 to 12-31-23 01-01-24 to 12-31-24
President Pro Tempore of the Common Council	George Cover Noelle Weishaar	01-01-23 to 12-31-23 01-01-24 to 12-31-24
Utility Office Manager	Heather Smart	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 CITY OF RENSSELAER, JASPER 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 Rensselaer (City), for the year ended December 31, 2023, and the related notes to the financial statement, which collectively comprise the City's financial statement and have issued our report thereon dated July 15, 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 2023-001 and 2023-002, 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 2023-001 and 2023-002.

***City of Rensselaer'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

July 15, 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 RENSSELAER, JASPER COUNTY, INDIANA

**Report on Compliance for Each Major Federal Program**

***Qualified and Unmodified Opinions***

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

***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 and Unmodified Opinions* section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the COVID-19 - Coronavirus State and Local Fiscal Recovery Funds or the year ended December 31, 2023.

***Unmodified Opinion on Each of the Other Major Federal Programs***

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 other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2023.

**Basis for Qualified and Unmodified Opinions**

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.

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)

*Matter Giving Rise to Qualified Opinion on COVID-19 - Coronavirus State and Local Fiscal Recovery Funds*

As described in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding 21.027 COVID-19 - Coronavirus State and Local Fiscal Recovery Funds, as described in item 2023-003 for Procurement and Suspension and Debarment. Compliance with such requirement is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

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)

**Other 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.

**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 2023-003, 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, 2023, and the related notes to the financial statement. We issued our report thereon dated July 15, 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

July 15, 2024

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the City. The schedule and notes are presented as intended by the City.

(This page intentionally left blank.)

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Agriculture</u>					
Water and Waste Disposal Systems for Rural Communities	Direct Grant	10.760			
WW LTCP Phase IIa			FY2023		
RD Loan - 04				\$ -	\$ 3,338,184
RD Grant - 05				-	1,749,000
Total - Department of Agriculture				-	5,087,184
<u>Department of Housing and Urban Development</u>					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs	14.228			
OCRA Comprehensive Plan			B21DC1800001	-	50,000
Total - Department of Housing and Urban Development				-	50,000
<u>Department of Transportation</u>					
Highway Safety Cluster					
State and Community Highway Safety	Indiana Criminal Justice Institute	20.600			
Criminal Justice Traffic Safety			CHIRP 2021-00084	-	3,459
Total - Highway Safety Cluster				-	3,459
Total - Department of Transportation				-	3,459
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Indiana Finance Authority	21.027			
Coronavirus Local Fiscal Recovery			FY2023	-	710,257
Total - Department of the Treasury				-	710,257
<u>Environmental Protection Agency</u>					
Drinking Water State Revolving Fund Cluster					
Drinking Water State Revolving Fund	Indiana Finance Authority	66.468			
Water Tower/Lead Lines Div A & B			DW22193702	-	5,420,980
Total - Drinking Water State Revolving Fund Cluster				-	5,420,980
Total - Environmental Protection Agency				-	5,420,980
Total federal awards expended				\$ -	\$ 11,271,880

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

CITY OF RENSSELAER  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Summary of Significant Accounting Policies**

*A. Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2023. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

*B. Other Significant Accounting Policies*

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

**Note 2. Indirect Cost Rate**

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

CITY OF RENSSELAER  
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 Listing Number	Name of Federal Program or Cluster	Opinion Issued
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds Drinking Water State Revolving Fund Cluster	Qualified Unmodified

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

*Repeat Finding*

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

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

*Condition and Context*

There were deficiencies in the internal control system of the City related to financial transactions and reporting. The City had not separated incompatible activities related to receipts, disbursements, and financial reporting to ensure the accuracy, completeness, and timeliness of the recordkeeping. A segregation of duties for each of these areas had not been properly designed or implemented to prevent, or detect and correct, errors.

*Receipts and Disbursements - Debt Proceed Trust Funds*

The City had not properly designed or implemented internal controls over recording transactions for the debt proceed trust funds financial activity to ensure the accuracy and completeness of the ledgers and financial statement.

Receipts and disbursements are to be recorded at the time of the transaction.

Due to the lack of internal controls, the ledger and financial statement's receipts and disbursements were each understated for the Water Utility 2023 SRF Construction Fund and the Water Utility 2023 SRF LSLR BAN fund by \$2,413,063 and \$69,137, respectively.

Adjustments were proposed, accepted by the City, and made to the financial statement presented in the Financial Statement Audit Report of the City.

*Financial Reporting*

The City had not established effective internal controls over the preparation of the Annual Financial Report (AFR) financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement. The AFR was submitted without evidence of an oversight or review process to ensure the accuracy and completeness of the financial information submitted.

Furthermore, the City utilities ledgers are maintained on the accrual basis of accounting and are converted to the cash basis for reporting in the AFR. The City contracted with a consultant to determine the adjustments needed to convert the accrual basis ledger to the cash basis for reporting in the AFR and financial statement. However, the City had not designed or implemented an oversight or review process of the consultant's adjustments to ensure the accuracy and completeness of the AFR.

*Criteria*

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)

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:

CITY OF RENSSELAER  
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. . . ."

*Cause*

The City had not established a proper system of internal controls over debt proceed trust funds, receipts, and disbursements to ensure all financial transactions of the City were posted at the time of the transaction. In addition, a system of internal controls was not designed or implemented overseeing the work of the consultant during the conversion from an accrual basis ledger to cash basis AFR, or prior to the submission of the AFR to ensure the accuracy and completeness of the AFR and financial statement.

*Effect*

Without a proper system of internal controls in place, the City's financial statement did not properly reflect the receipts and disbursements of the debt proceed trust funds. In addition, the City's financial statement could be incomplete and contain uncorrected misstatements, which may mislead end users of the City's financial statement.

*Views of Responsible Officials*

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

**FINDING 2023-002**

Subject: Preparation of the Schedule of Expenditures of Federal Awards

Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

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

*Condition and Context*

The City is required to file financial reports after the close of each calendar year. The reports are to be filed electronically as prescribed.

The City filed its reports as prescribed; however, the 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), were not properly designed or implemented.

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

The federal grant information prepared and submitted in Gateway was not properly reviewed by the City. One individual prepared and entered the federal award information into Gateway which was submitted without evidence of an oversight or review process to ensure the accuracy and completeness of the federal grant information.

Due to the lack of internal controls, the SEFA presented for audit omitted the Water and Waste Disposal Systems for Rural Communities grant, which understated expenditures by \$5,087,184. In addition, incorrect program titles, pass-through entities, and identifying numbers were reported.

Audit adjustments were proposed, accepted by the City, and made to 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 § 200.510. . . ."

2 CFR 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 award year separately. At a minimum, the schedule must:

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

- (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.
- (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."

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for Cities and Towns, Chapter 1)

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 a system of internal controls ensuring the completeness of the federal expenditures reported on the SEFA.

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

*Effect*

Without the proper implementation of an effectively designed system of internal controls, the City cannot detect and correct misstatements of the SEFA. 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.

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2023-003**

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*

Prior to entering into subawards and covered transactions with the State and Local Fiscal Recovery Funds (SLFRF) award funds, recipients are required to verify that such contractors and subrecipients are not suspended, debarred, or otherwise excluded. "Covered transactions" include, but are not limited to, contracts for goods and services awarded under a non-procurement transaction (i.e., grant agreement) that are expected to equal or exceed \$25,000. The verification is to be done by checking the Excluded Parties List System (EPLS), collecting a certification from that party, or adding a clause or condition to the covered transaction with that person.

The City did not have any policies or procedures in place related to the suspension and debarment requirements. A population of two covered transactions, totaling \$109,024, associated with the Chemical Phosphorous Removal Improvements project paid from SLFRF funds were identified. Both vendors associated with the covered transactions were selected for testing. For both vendors, the City did not verify the vendors' suspension or debarment status prior to payment.

The lack of internal controls and noncompliance were isolated to the transactions identified above.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

CITY OF RENSSELAER  
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). . . ."

31 CFR 19.300 states:

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

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

*Cause*

The City's purchasing policy does not provide procedures on how to ensure compliance with the suspension and debarment requirements.

*Effect*

Without the proper implementation of an effectively designed system of internal controls, the City cannot ensure the contractors paid with federal funds are eligible to participate in federal programs. Any program funds the City used to pay contractors that have been suspended or debarred would be unallowable, and the funding agency could potentially recover them.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that management of the City design and implement a system of internal controls to ensure that all contractors that are paid \$25,000 or more, all or in part with federal funds, are not suspended, debarred, or otherwise excluded from participating in federal programs prior to entering into any contracts.

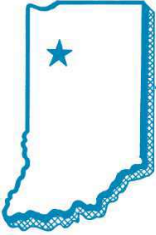
*Views of Responsible Officials*

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

(This page intentionally left blank.)

#### AUDITEE-PREPARED DOCUMENTS

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



# CITY OF RENSSELAER

RENSSELAER, INDIANA

JEFFREY S. PHILLIPS, Mayor  
SHELBY E. KEYS, Clerk-Treasurer

## COUNCIL MEMBERS

KEVIN M. ARMOLD, First Ward  
NOELLE WEISHAAR, Second Ward  
JEFF RAYBURN, Third Ward  
ERNEST WATSON, Fourth Ward  
RUSSELL OVERTON, At-Large

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2022-001**

**Fiscal year in which the finding initially occurred: 2022**

**Current Audit Period: December 1, 2023 through December 31, 2023**

**Finding Subject: FINANCIAL TRANSACTIONS AND REPORTING**

#### **Summary of Finding:**

*There were deficiencies in the internal control system of the City related to financial transactions, reporting.*

#### **Status of Audit Finding:**

*Not Corrected*

*This has not been corrected due to the 2022 and the 2023 audits being performed simultaneously. Procedures are being put into place to correct the issue for the 2024 year end reporting.*

*At end of year the Clerk Treasurer will enter the Annual Financial Report (AFR) information into the Indiana Gateway for Government Units (Gateway) and print the entered information (prior to submission). A knowledgeable employee (Deputy Clerk Treasurer) will review the information to ensure it was entered correctly and sign of stating her review. The AFR will also be presented for approval to the City Council board at the monthly board meeting. Once reviewed and approved the Clerk Treasurer will submit the AFR. .*

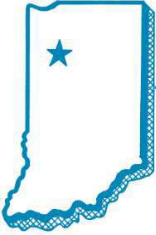
*For transfers we will use the claim and receipt process in which will ensure that all claims for transfers and are included on the claim docket for approval at the City Council board meetings. This process will also ensure that the transfer is recorded both on the disbursement and the receipt side, as it will be complete simultaneously.*

*Transactions related to the TIF bank accounts were previously recorded upon receiving the bank statement. We will request bank statements if we do not receive them on a monthly basis, regardless if there is activity present to ensure all transactions are included. We will also ensure that transfers made are recorded both on the receipt and the disbursement end at the time of the transfer through a claim and receipt process. This will ensure that there are no lapses in the time recorded to the time of transaction.*

*Utility transfers will follow the same process as stated previously to ensure it is recorded on both the receipt side and the disbursement side in a timely manner.*

#### **Response Comments:**

*n/a*



# CITY OF RENSSELAER

RENSSELAER, INDIANA

JEFFREY S. PHILLIPS, Mayor  
SHELBY E. KEYS, Clerk-Treasurer

## COUNCIL MEMBERS

KEVIN M. ARMOLD, First Ward  
NOELLE WEISHAAR, Second Ward  
JEFF RAYBURN, Third Ward  
ERNEST WATSON, Fourth Ward  
RUSSELL OVERTON, At-Large

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2022-002**

**Fiscal year in which the finding initially occurred: 2022**

**Current Audit Period: December 1, 2023 through December 31, 2023**

**Finding Subject: PREPARATION OF THE SCHEDULE EXPENDITURES OF FEDERAL AWARDS**

#### **Summary of Finding:**

*The City is required to file reports after the close of each fiscal year. The reports are to be filed electronically as prescribed.*

#### **Status of Audit Finding:**

*Not Corrected*

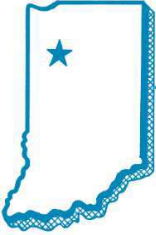
*This has not been corrected due to the 2022 and the 2023 audits being performed simultaneously. Procedures are being put into place to correct the issue for the 2024 year end reporting.*

*The finding occurred due to the Clerk Treasurer being unaware of the requirements for the schedule expenditures of federal awards. Procedures are being modified to correct this issue for future reporting periods. Procedures include the following:*

*At end of year the Clerk Treasurer will enter the Annual Financial Report (AFR) information which will include the grants reported on the Schedule of Expenditures of Federal Awards into the Indiana Gateway for Government Units (Gateway) and print the entered information (prior to submission). A knowledgeable employee (Deputy Clerk Treasurer) will review the information to ensure it was entered correctly and sign of stating her review. The AFR will also be presented for approval to the City Council board at the monthly board meeting. Once reviewed and approved the Clerk Treasurer will submit the AFR.*

*Grants will be tracked within their own individual fund, that will be created at the time of the grant approval and maintain all the receipts and expenditures related to said grant. A grant folder will be created for each Grant awarded and documentation will be maintained in said folder to ensure at the end of the year all items are easily identified. At the end of the year the Clerk Treasurer will run a fund report and use the associated funds to created the SEFA.*

*To ensure that the correct name and CFDA number are used for each Grant, reference will be made to the Grant Award letter. If the information is not found within that document, contact will be made with the appropriate department to obtain the needed information. The Schedule of Expenditures of Federal Awards will be input and submitted into Gateway by the Clerk Treasurer and reviewed to supporting documentation to ensure accuracy by the Deputy Clerk Treasurer and approved at the City Council Board meetings.*



# CITY OF RENSSELAER

RENSSELAER, INDIANA

JEFFREY S. PHILLIPS, *Mayor*  
SHELBY E. KEYS, *Clerk-Treasurer*

## COUNCIL MEMBERS

KEVIN M. ARMOLD, *First Ward*  
NOELLE WEISHAAR, *Second Ward*  
JEFF RAYBURN, *Third Ward*  
ERNEST WATSON, *Fourth Ward*  
RUSSELL OVERTON, *At-Large*

## Response Comments:

n/a





# CITY OF RENSSELAER

RENSSELAER, INDIANA

JEFFREY S. PHILLIPS, *Mayor*  
SHELBY E. KEYS, *Clerk-Treasurer*

## COUNCIL MEMBERS

KEVIN M. ARMOLD, *First Ward*  
NOELLE WEISHAAR, *Second Ward*  
JEFF RAYBURN, *Third Ward*  
ERNEST WATSON, *Fourth Ward*  
RUSSELL OVERTON, *At-Large*

## CORRECTIVE ACTION PLAN

### **FINDING 2023-001**

**Finding Subject:** Financial Transactions and Reporting

**Summary of Finding:** Material Weakness, Noncompliance

**Contact Person Responsible for Corrective Action:** Shelby E. Keys

**Contact Phone Number and Email Address:** 219-866-9599 [skeys@cityofrensselaer.in](mailto:skeys@cityofrensselaer.in)

### **Views of Responsible Officials:**

*We concur with the finding.*

### **Description of Corrective Action Plan:**

At end of year the Clerk Treasurer will enter the Annual Financial Report (AFR) information into the Indiana Gateway for Government Units (Gateway) and print the entered information (prior to submission). A knowledgeable employee (Deputy Clerk Treasurer) will review the information to ensure it was entered correctly and sign of stating her review. Adjustments proposed and made from the contracted financial consultant will be included in the AFR review, to ensure accuracy in the financial software to that reported on the Gateway platform. The AFR will also be presented for approval to the City Council board at the monthly board meeting. Once reviewed and approved the Clerk Treasurer will submit the AFR.

For bank activity, we will use the claim and receipt process in which will ensure that all claims, including transfers, are included on the claim docket for approval at the City Council board meetings. This process will also ensure that the bank activity is recorded both on the disbursement and the receipt side in a timely basis, as it will be complete simultaneously. The bank statement will be obtained at least monthly, however, for items associated with grants or debt, these will be processed at time of notification. For instance, when a bond payment is processed, and we receive notification we will request an updated bank statement to process the receipt and disbursements associated with the transaction to ensure it is in the financial ledger in a timely manner.

### **Anticipated Completion Date:**

Audited simultaneously, no time for corrective action to be corrected prior to the 2023 audit. However, the Anticipated Completion Date is March 1, 2025.



# CITY OF RENSSELAER

RENSSELAER, INDIANA

JEFFREY S. PHILLIPS, *Mayor*  
SHELBY E. KEYS, *Clerk-Treasurer*

## COUNCIL MEMBERS

KEVIN M. ARMOLD, *First Ward*  
NOELLE WEISHAAR, *Second Ward*  
JEFF RAYBURN, *Third Ward*  
ERNEST WATSON, *Fourth Ward*  
RUSSELL OVERTON, *At-Large*

## CORRECTIVE ACTION PLAN

### **FINDING 2023-002**

**Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards**  
**Summary of Finding: Material Weakness, Noncompliance**

**Contact Person Responsible for Corrective Action: Shelby E. Keys**  
**Contact Phone Number and Email Address: 219-866-9599 [skeys@cityofrensselaer.in](mailto:skeys@cityofrensselaer.in)**

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

### **Description of Corrective Action Plan:**

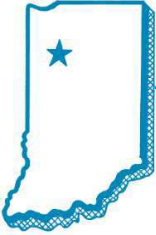
At end of year the Clerk Treasurer will enter the Annual Financial Report (AFR) information which will include the grants reported on the Schedule of Expenditures of Federal Awards into the Indiana Gateway for Government Units (Gateway) and print the entered information (prior to submission). A knowledgeable employee (Deputy Clerk Treasurer) will review the information to ensure it was entered correctly and sign of stating her review. The AFR will also be presented for approval to the City Council board at the monthly board meeting. Once reviewed and approved the Clerk Treasurer will submit the AFR.

Grants will be tracked within their own individual fund, that will be created at the time of the grant approval and maintain all the receipts and expenditures related to said grant. A grant folder will be created for each Grant awarded and documentation will be maintained in said folder to ensure at the end of the year all items are easily identified. At the end of the year the Clerk Treasurer will run a fund report and use the associated funds to created the SEFA.

To ensure that the correct name and CFDA number are used for each Grant, reference will be made to the Grant Award letter. If the information is not found within that document, contact will be made with the appropriate department to obtain the needed information. The Schedule of Expenditures of Federal Awards will be input and submitted into Gateway by the Clerk Treasurer and reviewed to supporting documentation to ensure accuracy by the Deputy Clerk Treasurer and approved at the City Council Board meetings.

### **Anticipated Completion Date:**

The Anticipated Completion Date is March 1, 2025.



# CITY OF RENSSELAER

RENSSELAER, INDIANA

JEFFREY S. PHILLIPS, *Mayor*  
SHELBY E. KEYS, *Clerk-Treasurer*

## COUNCIL MEMBERS

KEVIN M. ARMOLD, *First Ward*  
NOELLE WEISHAAR, *Second Ward*  
JEFF RAYBURN, *Third Ward*  
ERNEST WATSON, *Fourth Ward*  
RUSSELL OVERTON, *At-Large*

## CORRECTIVE ACTION PLAN

### ***FINDING 2023-003***

**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:** **Shelby E. Keys**

**Contact Phone Number and Email Address:** **219-866-9599 [skeys@cityofrensselaer.in](mailto:skeys@cityofrensselaer.in)**

### **Views of Responsible Officials:**

*We concur with the finding.*

### **Description of Corrective Action Plan:**

The City is in the process of revising its Purchasing Policy to ensure the inclusion of the Federal Guidelines for Procurement, Suspension and Debarment. The City will ensure the Suspension and Debarment for ALL vendors for Federal purchases prior to the vendor being entered into the Financial Software program. Vendor approval and verification of the suspension and debarment will be approved at the City Council meetings prior to payment.

### **Anticipated Completion Date:**

The Anticipated Completion Date is March 1, 2025.

## 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/>.