

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF NEW CASTLE

HENRY COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED
09/25/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Brenda Grider Ashley Huffman	01-01-23 to 12-31-23 01-01-24 to 12-31-24
Mayor	Greg York	01-01-23 to 12-31-24
President of the Board of Public Works and Safety	Greg York	01-01-23 to 12-31-24
President Pro Tempore of the Common Council	Rex Peckinpaugh	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 NEW CASTLE, HENRY 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 New Castle (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 September 12, 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 New Castle'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

September 12, 2024



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

TO: THE OFFICIALS OF THE CITY OF NEW CASTLE, HENRY COUNTY, INDIANA

Report on Compliance for the Major Federal Program

Qualified Opinions

We have audited the City of New Castle's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2023. The City's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

In our opinion, except for the noncompliance described in the *Basis for Qualified 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 for the year ended December 31, 2023.

Basis for Qualified 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.

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 items 2023-003 and 2023-004 both for Procurement and Suspension and Debarment. Compliance with such requirement is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

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 THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2023-003, 2023-004, and 2023-005, to be material weaknesses.

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

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

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

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

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

We have audited the financial statement of the City, as of and for the year ended December 31, 2023, and the related notes to the financial statement. We issued our report thereon dated September 12, 2024, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.



Beth Kelley, CPA, CFE
Deputy State Examiner

September 12, 2024

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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CITY OF NEW CASTLE
 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 Transportation</u>					
Highway Safety Cluster					
State and Community Highway Safety					
Operation Pullover	Indiana Criminal Justice Institute	20.600	CHIRP-2023-00090	\$ -	\$ 22,781
Police Stop ARM			SAVE-2023-00014	-	4,925
Total - Highway Safety Cluster				-	27,706
COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program					
Community Transit System					
	Indiana Department of Transportation	20.509	FY 2023	-	29,608
Formula Grants for Rural Areas and Tribal Transit Program					
Community Transit System					
Community Transit System					
	Indiana Department of Transportation	20.509	1803710c	-	231,293
			1804110O	-	106,372
Total - Formula Grants for Rural Areas and Tribal Transit Program				-	367,273
Total - Department of Transportation				-	394,979
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds					
ARPA					
State Water Infrastructure Fund					
DOH Community Paramedic Grant					
	Direct Grant	21.027	FY 2023	-	1,145,764
	Indiana Financing Authority		SWIF222533	-	2,965,744
	Indiana State Department of Health		FY 2023	-	177,894
Total - COVID-19 - Coronavirus State and Local Fiscal Recovery Funds				-	4,289,402
Total - Department of the Treasury				-	4,289,402
Total federal awards expended				\$ -	\$ 4,684,381

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

CITY OF NEW CASTLE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

B. Other Significant Accounting Policies

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

Note 2. Indirect Cost Rate

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

Note 3. COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

The City was awarded a State Water Infrastructure Grant Program (SWIF) grant from the Indiana Finance Authority (IFA). The funding source for the SWIF grant awards is the COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (SLFRF) grant. As the IFA maintained custody of the grant funds and disbursed them on the City's behalf, some of the activity for the SLFRF grant that is presented on the SEFA is not presented as receipts and disbursements in the financial statement of the City.

CITY OF NEW CASTLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

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

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

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2023-001

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 2022-001.

CITY OF NEW CASTLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

Cash and Investments (Bank Reconciliations)

The City had not designed or implemented a system of internal controls, which would include appropriate segregation of duties that would likely be effective in preventing, or detecting and correcting, errors related to cash and investments, including bank reconciliations, to ensure the accuracy and completeness of the ledgers.

As a result, the following bank reconciliations were not prepared timely, and deposits were not recorded as noted:

- For one bank account, no bank reconciliations were prepared for September through November of 2023. The December 31, 2023 reconciliation was prepared in August 2024. As a result, collections totaling \$530,509 that were deposited to this account were not posted to the records.
- Beginning with the month of March 2023, no bank reconciliations were performed for three bank accounts that were eventually closed into another bank account in December 2023.
- For the new bank account opened in January 2023, the May through August 2023 bank reconciliations were prepared three to four months late, and the September through December 2023 bank reconciliations were prepared seven to nine months late.
- For five other bank accounts, the bank reconciliations were prepared on average four to five months late.

Receipts

The City designed and implemented internal controls over receipts to ensure the accuracy of the ledger postings; however, the internal controls were ineffective. Due to the lack of effective internal controls the following errors occurred:

- The Cumulative Capital Improvement distributions totaling \$31,577 were incorrectly posted to the General fund.
- The DOH Community Paramedic Grant distributions totaling \$27,442 were incorrectly posted to the Special Utilities fund.
- In our sample testing, 1 of 71 receipts totaling \$433 for Wastewater penalties collected was incorrectly posted to the Toter Fund.

Financial Reporting

Financial, supplemental, and other information is required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system, which is the source of the City's financial statement. An oversight or review process had not been designed or implemented that would likely prevent, or detect and correct, errors on the financial statement.

CITY OF NEW CASTLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Due to the lack of internal controls, receipts of \$82,628 and disbursements of \$64,000 for the SRFWW2018 fund were omitted from the financial statement resulting in an ending cash and investment balance understated by \$18,628. Additionally, the unposted receipts identified in the December bank reconciliation noted above were omitted from the financial statement.

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 - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the City.

Criteria

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. . . ."

"The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

Indiana Code 5-13-5-1(a) states:

"Every public officer who receives or distributes public funds shall:

- (1) keep a cashbook into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cashbook daily to show funds on hand at the close of each day."

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

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

CITY OF NEW CASTLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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."

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)

Cause

Management of the City had not established a proper system of internal controls that would have ensured timely bank reconciliations and accurate recording of receipts and financial reporting. The prior Clerk-Treasurer was not re-elected and thus stopped completing bank reconcilements. 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 a proper well-designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, misstatements. As such, untimely bank reconcilements lead to undetected errors in the posting of deposits as identified in the *Condition and Context*. Furthermore, misstatements of the financial statement remained undetected. The financial statement 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.

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 immediately prior audit report. The prior audit finding number was 2022-002.

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.

CITY OF NEW CASTLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The City filed its reports as prescribed; however, there were no documented internal controls over the federal award information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the City's Schedule of Expenditures of Federal Awards (SEFA).

The Clerk-Treasurer prepared and electronically submitted the federal award information without a review or oversight process in place to prevent, or detect and correct, errors on the SEFA.

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

- The Formula Grants for Rural Areas and Tribal Transit Program expenditures were overstated by \$467,266.
- The State and Community Highway Safety grant expenditures were overstated by \$3,205.
- The COVID-19 - Coronavirus State and Local Fiscal Recovery Funds grant expenditures were overstated by \$1,956,362.

Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report.

Criteria

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. . . ."

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

CITY OF NEW CASTLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 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.
- (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."

CITY OF NEW CASTLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

A proper system of internal controls over the SEFA was not designed by management of the City to ensure proper reporting of the City's federal expenditures. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies should 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 a proper well-designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material misstatements. As such, 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.

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): FY 2023
Pass-Through Entity: Indiana State Department of Health
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2022-003.

Condition and Context

Procurement

The Indiana State Department of Health created the Health Issues and Challenges Grant Program to provide funding to local and statewide service providers and planning organizations through the American Rescue Plan Act. The funds were to be used to prevent or reduce the prevalence of health issues or improve the health and behavioral health of Indiana residents. The City applied for and was awarded the Health Issues and Challenges grant in the amount of \$447,112.

CITY OF NEW CASTLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Federal regulations allow for informal procurement methods when the value of the procurement for property or services does not exceed the simplified acquisition threshold, which is set at \$250,000 unless a lower, more restrictive threshold is set by a nonfederal entity. As Indiana Code has set a more restrictive threshold of \$150,000, informal procurement methods are permitted when the value of the procurement does not exceed \$150,000. This informal process allows for methods other than the formal bid process. The informal process is divided between two methods based on thresholds. Micro-purchases, typically for those purchases \$10,000 or under, and small purchase procedures for those purchases above the micro-purchase threshold, but below the simplified acquisition threshold. Micro-purchases may be awarded without soliciting competitive price rate quotations. If small purchase procedures are used, then price or rate quotations must be obtained from an adequate number of qualified sources.

Four vendors fell within the small purchase threshold. Two of the four small purchases were selected for testing. For the two vendors tested, totaling \$71,889, the City did not obtain price or rate quotes. The micro-purchase threshold may be increased, but the City did not provide documentation that the threshold had been increased. Documentation detailing the history of procurement, which must include the rationale for the procurement method used, was not available for audit.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.318 states in part:

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

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

CITY OF NEW CASTLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.320 states in part:

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

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

(2) *Small purchases* —

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

Part 4 of the Treasury's Compliance and Reporting Guidance states: ". . . recipients are expected to have procurement policies and procedures in place that comply with the procurement standards outlined in the Uniform Guidance . . ."

Cause

A proper system of internal controls was not designed by management of the City. 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 a result, proper procurement procedures were not adhered to for all vendors.

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 establish documented procedures consistent with state and local laws for the acquisition of property or services required under a federal award or subaward as outlined in the code of federal regulations. In additions, we recommended the City adhere to the procurement policies.

CITY OF NEW CASTLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

FINDING 2023-004

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): FY 2023
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2022-003.

Condition and Context

Suspension and Debarment

The City elected to receive the standard revenue loss allowance, allowing them to claim their total COVID-19 – Coronavirus State and Local Fiscal Recovery Funds (SLFRF) allocation from the U.S. Department of the Treasury (Treasury) of \$3,870,958 as revenue loss to use for government services. As such, all SLFRF program funds were expended under the revenue loss eligible use category. The Treasury determined that there are no subawards under this eligible use category, and that recipients' use of revenue loss funds would not give rise to subrecipient relationships given that there is no federal program or purpose to carry out in the case of the revenue loss portion of the award.

Prior to entering into subawards and covered transactions with SLFRF award funds, recipients are required to verify that such contractors and subrecipients are not suspended, debarred, or otherwise excluded. "Covered transactions" include, but are not limited to, contracts for goods and services awarded under a nonprocurement transaction (i.e., grant agreement) that are expected to equal or exceed \$25,000. The verification is to be done by checking the Excluded Parties List System (EPLS), collecting a certification from that person, or adding a clause or condition to the covered transaction with that person. Due to the Treasury's determination that the revenue loss eligible use category does not give rise to subawards and the fact the City did not subgrant any of its SWIF award, the City was only required to comply with suspension and debarment requirements related to covered transactions.

CITY OF NEW CASTLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Upon inquiry of the City in order to review the procedures in place for verifying that an entity with which it plans to enter into a covered transaction is not suspended, debarred, or otherwise excluded, the City divulged that it was unaware of the suspension and debarment requirements related to the SLFRF awards. There were 11 covered transactions that equaled or exceeded \$25,000 that were identified. All 11 transactions, totaling \$3,696,810, were selected for testing. The City did not verify the vendors' suspension and debarment status prior to payment on any of the covered transactions due to the City not having any policies or procedures in place to verify that contractors were neither suspended nor debarred or otherwise excluded or disqualified from participating in federal assistance programs or activities.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

31 CFR 19.300 states:

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

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

Part 4 of the Treasury's Compliance and Reporting Guidance states: ". . . recipients are expected to have procurement policies and procedures in place that comply with the procurement standards outlined in the Uniform Guidance . . ."

Cause

A proper system of internal controls was not designed by management of the City. 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.

CITY OF NEW CASTLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommend that the City strengthen its 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 or debarred from participations in federal programs before 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.

FINDING 2023-005

Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Reporting
Federal Agency: Department of the Treasury
Federal Program: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
Assistance Listings Number: 21.027
Federal Award Number and Year (or Other Identifying Number): FY 2023
Compliance Requirement: Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2022-004.

Condition and Context

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

The City was classified as a metropolitan city with a population below 250,000 residents that received an allocation of less than \$10 million in SLFRF award funds. As such, the initial P&E report covering the period from April 1, 2022 to March 31, 2023, was required to be submitted to the Treasury by April 30, 2022. The subsequent annual reports are to cover one calendar year and must be submitted to the Treasury by April 30 each year.

CITY OF NEW CASTLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The City submitted one P&E report during the audit period; however, there was no documented internal control in place over the report to ensure it was complete and accurate.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

A proper system of internal controls was not designed by management of the City, to ensure that policies and procedures were in place related to reporting. 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, including policies and procedures that provide segregation of duties and additional oversight as needed, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish a proper system of internal controls and develop policies and procedures over the preparation and review of federal reports.

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.



City of New Castle, Indiana

City Clerk Treasurer's Office

Ashley Huffman
City Clerk Treasurer

227 N. Main Street
New Castle, IN 47362

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-001 and 2022-001

FISCAL YEAR IN WHICH THE FINDING INITIALLY OCCURRED: 2019
CURRENT AUDIT PERIOD: 2023

FINDING SUBJECT: FINANCIAL TRANSACTIONS AND REPORTING

SUMMARY OF FINDING: There were deficiencies in the internal control system of the city and noncompliance related to financial transactions and reporting.

STATUS OF AUDIT FINDING: Not corrected.

RESPONSE COMMENTS:

The City did not implement their prior corrective action plan during 2023 due to unknown reasons.

Procedures have been implemented this calendar year and are continuing to being put in place for bank reconciliations to be completed in a more timely manner including training for both the Clerk Treasurer and Deputy Clerk Treasurer.

For receipts, a new process is being implemented. The accounts receivable and payroll staff will enter them into the software, eliminating paper receipts. The Deputy Clerk Treasurer will review for accuracy and Clerk Treasurer will also verify. Eliminating paper receipts removes a step to help with errors.

At the end of the 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. Once reviewed and approved the Clerk Treasurer will submit the AFR.



City of New Castle, Indiana

City Clerk Treasurer's Office

Ashley Huffman
City Clerk Treasurer

227 N. Main Street
New Castle, IN 47362

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (continued)

FINDING 2021-002 and 2022-002

FISCAL YEAR IN WHICH THE FINDING INITIALLY OCCURRED: 2019

CURRENT AUDIT PERIOD: 2023

FINDING SUBJECT: PREPARATION OF THE SCHEDULE EXPENDITURES OF FEDERAL AWARDS

SUMMARY OF FINDING: There were deficiencies in the internal control system of the city and noncompliance related to the Schedule of Expenditures of Federal Awards (SEFA).

STATUS OF FINDING : Not corrected

RESPONSE COMMENTS:

The City did not implement their prior corrective action plan during 2023 due to unknown reasons.

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, and a grant folder will be created for each Grant award 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 create the SEFA.

To ensure that the correct CFDA and identifying numbers 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. To ensure correct program names and US Departments are used for each grant, we will also refer to the SAM.gov website.

At the end of the year the Clerk Treasurer will enter the 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 and ensure it is entered correctly and sign stating of her review. Once reviewed, the Clerk Treasurer will then submit the AFR.



City of New Castle, Indiana

City Clerk Treasurer's Office

Ashley Huffman
City Clerk Treasurer

227 N. Main Street
New Castle, IN 47362

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (continued)

FINDING 2021-003 and 2022-003

FISCAL YEAR IN WHICH THE FINDING INITIALLY OCCURRED: 2022
CURRENT AUDIT PERIOD: 2023

FINDING SUBJECT: COVID-19 CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY-
PROCUREMENT AND SUSPENSION AND DEBARMENT

SUMMARY OF FINDING: There were deficiencies in the City's internal controls resulting in noncompliance with the grant's Procurement and Suspension and Debarment requirements.

STATUS OF AUDIT FINDING: Not corrected.

RESPONSE COMMENTS:

The City did not implement their prior corrective action plan during 2023 due to unknown reasons.

The City did not follow the policy for Federal Grant Disbursements. The Clerk Treasurer's office will ensure compliance with the Procurement requirement. The City has implemented maintaining contract files with the Deputy Clerk Treasurer reviewing to ensure they contain documentation of the history of the procurement, including the rationale for the method of procurement and selection of the vendor.

Beginning Sept. 1, 2024, the City Attorney will include certification language in contracts. The Clerk Treasurer will be overseeing by reviewing the contracts and checking SAM.gov. The Deputy Clerk Treasurer will be verifying.



City of New Castle, Indiana

City Clerk Treasurer's Office

Ashley Huffman
City Clerk Treasurer

227 N. Main Street
New Castle, IN 47362

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (continued)

FINDING 2021-004 and 2022-004

FISCAL YEAR IN WHICH THE FINDING INITIALLY OCCURRED: 2022
CURRENT AUDIT PERIOD: 2023

FINDING SUBJECT: COVID-19 CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY-REPORTING

SUMMARY OF FINDING: There were deficiencies in the City's internal controls over grant's reporting requirement.

STATUS OF FINDING : Not corrected.

RESPONSE COMMENTS:

The City did not implement their prior corrective action plan during 2023 due to unknown reasons.

Beginning Sept. 1, 2024, procedures put in place will be the Clerk Treasurer and Deputy Clerk Treasurer verifying each other with the reporting. Internal controls are the Clerk Treasurer will review and include the information to prepare the required reports. Monthly receipt detail and disbursement detail reports will be included, with the Deputy reviewing that. Both will sign off after reviews and communication. Additionally, the monthly detail reports will be provided to the City's Finance Committee and Council who oversees the ARP funds.



City of New Castle, Indiana

City Clerk Treasurer's Office

Ashley Huffman
City Clerk Treasurer

227 N. Main Street
New Castle, IN 47362

CORRECTIVE ACTION PLAN

FINDING 2023-001

Finding Subject: FINANCIAL TRANSACTIONS AND REPORTING

Summary of Finding: There were deficiencies in the internal control system of the City resulting in noncompliance related to financial transactions and reporting.

Contact Person Responsible for Corrective Action: Ashley Huffman
Contact Phone Number and Email Address: 765-521-6803 nccityclerk@gmail.com

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan:

Procedures have been implemented this calendar year and are continuing to being put in place for bank reconciliations to be completed in a timelier manner including training for both the Clerk Treasurer and Deputy Clerk Treasurer.

For receipts, a new process is being implemented. The accounts receivable and payroll staff will enter them into the software, eliminating paper receipts. The Deputy Clerk Treasurer will review for accuracy and Clerk Treasurer will also verify. Eliminating paper receipts removes a step to help with errors.

At the end of the 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 is entered correctly then sign to document her review. Once reviewed and approved the Clerk Treasurer will submit the AFR.

Anticipated Completion Date: Oct. 1, 2024



City of New Castle, Indiana

City Clerk Treasurer's Office

Ashley Huffman
City Clerk Treasurer

227 N. Main Street
New Castle, IN 47362

CORRECTIVE ACTION PLAN (continued)

FINDING 2023-002

Finding Subject: PREPARATION OF THE SCHEDULE EXPENDITURES OF FEDERAL AWARDS

Summary of Finding: There were deficiencies in the internal control system of the City resulting in noncompliance related to the Schedule of Expenditures of Federal Awards (SEFA).

Contact Person Responsible for Corrective Action: Ashley Huffman
Contact Phone Number and Email Address: 765-521-6803 nccityclerk@gmail.com

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan:

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, and a grant folder will be created for each Grant award 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 create the SEFA.

To ensure that the correct CFDA and identifying numbers 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. To ensure correct program names and US Departments are used for each grant, we will also refer to the SAM.gov website.

At the end of the year the Clerk Treasurer will enter the 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 and ensure it is entered correctly and sign stating of her review. Once reviewed, the Clerk Treasurer will then submit the AFR.

Anticipated Completion Date: January of 2025



City of New Castle, Indiana

City Clerk Treasurer's Office

Ashley Huffman
City Clerk Treasurer

227 N. Main Street
New Castle, IN 47362

CORRECTIVE ACTION PLAN (continued)

FINDING 2023-003

Finding Subject: COVID-19 CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY -
PROCUREMENT AND SUSPENSION AND DEBARMENT.

Summary of Finding: There were deficiencies in the internal control system of the City resulting in noncompliance with the grant's procurement and suspension and debarment requirements.

Contact Person Responsible for Corrective Action: Ashley Huffman
Contact Phone Number and Email Address: 765-521-6803 nccityclerk@gmail.com

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan:

The City did not follow its policy for Federal Grant Disbursements. The Clerk Treasurer's office will ensure compliance with the Procurement requirement. The City has implemented maintaining contract files with the Deputy Clerk Treasurer reviewing to ensure they contain documentation of the history of the procurement, including the rationale for the method of procurement and selection of the vendor.

Anticipated completion date: September 1, 2024



City of New Castle, Indiana

City Clerk Treasurer's Office

Ashley Huffman
City Clerk Treasurer

227 N. Main Street
New Castle, IN 47362

CORRECTIVE ACTION PLAN (continued)

FINDING 2023-004

Finding Subject: COVID-19 CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY -
PROCUREMENT AND SUSPENSION AND DEBARMENT.

Summary of Finding: There were deficiencies in the internal control system of the City resulting in noncompliance with the grant's procurement and suspension and debarment requirements.

Contact Person Responsible for Corrective Action: Ashley Huffman
Contact Phone Number and Email Address: 765-521-6803 nccityclerk@gmail.com

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan:

The City Attorney will include certification language in contracts. The Clerk Treasurer will be overseeing by reviewing the contracts and checking SAM.gov. The Deputy Clerk Treasurer will be verifying.

Anticipated completion date: September 1, 2024



City of New Castle, Indiana

City Clerk Treasurer's Office

Ashley Huffman
City Clerk Treasurer

227 N. Main Street
New Castle, IN 47362

CORRECTIVE ACTION PLAN (continued)

FINDING 2023-005

Finding Subject: COVID-19 STATE AND LOCAL FISCAL RECOVERY REPORTING

Summary of Finding: There were deficiencies in the internal control system of the City over the grant's reporting requirements.

Contact Person Responsible for Corrective Action: Ashley Huffman
Contact Phone Number and Email Address: 765-521-6803 nccityclerk@gmail.com

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan:

Beginning Sept. 1, 2024, procedures put in place include the Clerk Treasurer and Deputy Clerk Treasurer verifying each other with the reporting. Internal controls are the Clerk Treasurer will review and include the information to prepare the required reports. Monthly receipt detail and disbursement detail reports will be included, with the Deputy reviewing that. Both will sign off after reviews and communication. Additionally, the monthly detail reports will be provided to the City's Finance Committee and Council who oversees the ARP funds.

Anticipated completion date: September 1, 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/>.