

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF HOBART

LAKE COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED

09/17/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Deborah Longer	01-01-23 to 12-31-24
Mayor	Brian Snedecor Josh Huddlestun	01-01-23 to 12-31-23 01-01-24 to 12-31-24
President of the Board of Public Works and Safety	Brian Snedecor Josh Huddlestun	01-01-23 to 12-31-23 01-01-24 to 12-31-24
President Pro Tempore of the Common Council	Matthew Claussen	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 HOBART, LAKE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the City of Hobart (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 August 27, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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



Beth Kelley, CPA, CFE
Deputy State Examiner

August 27, 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 HOBART, LAKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified Opinions

We have audited the City of Hobart'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 Equitable Sharing Program

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 Equitable Sharing Program for the year ended December 31, 2023.

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.

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)

Matters Giving Rise to Qualified Opinion on Equitable Sharing Program

As described in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding 16.922 Equitable Sharing Program, as described in item 2023-001 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.

Matters 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 2023-002 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.

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)

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.

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 2023-001, 2023-002, and 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 August 27, 2024, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.



Beth Kelley, CPA, CFE
Deputy State Examiner

August 27, 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 HOBART
 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 Justice</u>					
Crime Victim Assistance VOCA Victims of Crime Act Formula Grant	Indiana Criminal Justice Institute	16.575	VOCA-2022-00069-FR3	\$ -	\$ 45,834
Crime Victim Compensation VOCA Victim Compensation	Indiana Criminal Justice Institute	16.576	INV615230023	-	1,238
Violence Against Women Formula Grants SERV System to End Repeated Violence	Indiana Criminal Justice Institute	16.588	STOP-2022-2023	-	82,416
Edward Byrne Memorial Justice Assistance Grant Program License Plate Recognition Program License Plate Recognition Program	Indiana Criminal Justice Institute	16.738	15PBJA-21-GG-00272 15PBJA-22-GG-00649	- -	12,048 47,871
Total - Edward Byrne Memorial Justice Assistance Grant Program				-	59,919
Equitable Sharing Program Seizures	Direct Grant	16.922	FY2022	-	845,334
Total - Department of Justice				-	1,034,741
<u>Department of Transportation</u>					
Highway Safety Cluster State and Community Highway Safety CHIRP (CITLI) 2022	Indiana Criminal Justice Institute	20.600	2022/2023	-	187,586
National Priority Safety Programs Save 2023	Indiana Criminal Justice Institute	20.616	69A3752030000405DINL	-	78,620
Total - Highway Safety Cluster				-	266,206
Highway Planning and Construction Colorado St. Safety Improvement	Indiana Department of Transportation	20.205	DES#1401034	-	111,483
Minimum Penalties for Repeat Offenders for Driving While Intoxicated CHIRP (DUI Taskforce)	Indiana Criminal Justice Institute	20.608	2022/2023	-	139,315
Total - Department of Transportation				-	517,004
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds ARP Coronavirus Local Fiscal Relief	Direct	21.027	FY2022	-	3,139,766
Total - Department of the Treasury				-	3,139,766
Total federal awards expended				\$ -	\$ 4,691,511

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

CITY OF HOBART
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 HOBART
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?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

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

Identification of Major Programs and type of auditor's report issued on compliance for each:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
16.922	Equitable Sharing Program	Qualified
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
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Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

FINDING 2023-001

Subject: Equitable Sharing Program - Procurement and Suspension and Debarment
 Federal Agency: Department of Justice
 Federal Program: Equitable Sharing Program
 Assistance Listings Number: 16.922
 Federal Award Number or Year (or Other Identifying Number): FY2022
 Compliance Requirement: Procurement and Suspension and Debarment
 Audit Findings: Material Weakness, Modified Opinion

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

Condition and Context

Prior to entering into subawards and covered transactions with Equitable Sharing Program award funds, recipients are required to verify that vendors 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 System for Award Management (SAMs) exclusions, collecting a certification from that person, or adding a clause or condition to the covered transaction with that person.

The City's policies and procedures for this program related to the suspension and debarment requirements included checking the SAMs exclusions, collecting a certification from the vendor, or adding a clause or condition to the covered transaction with that person/vendor. A population of ten covered transactions was identified. Three transactions for equipment totaling \$283,062 were selected for testing. For all three covered transactions tested, documentation to show that suspension and debarment was verified prior to entering into the contract could not be provided.

The lack of effective 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). . . ."

2 CFR 180.300 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 SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

The City's system of internal controls was not properly implemented to ensure that the policies and procedures in place would be completed timely prior to payment or that adequate supporting documentation of one of the three methods would be maintained.

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

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot ensure 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 funds. 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 recommended that management of the City establish a proper system of internal controls, including strengthening its policies and implementing procedures to ensure that contractors paid \$25,000 or more, all or in part with federal funds, are not suspended, debarred, or otherwise excluded 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.

FINDING 2023-002

Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery
Funds - Procurement and Suspension and Debarment
Federal Agency: Department of the Treasury
Federal Program: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
Assistance Listings Number: 21.027
Federal Award Number and Year (or Other Identifying Number): FY2022
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 State and Local Fiscal Recovery Funds (SLFRF) award funds, recipients are required to verify that vendors 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.

The City's policies and procedures for this program related to suspension and debarment requirements included checking the Excluded Parties List System (EPLS) via the System for Award Management (SAM) exclusions, collecting a certification from the vendor, or adding a clause or condition to the covered transaction with that person/vendor. A population of six covered transactions was identified. Two covered transactions, totaling \$2,317,900, were selected for testing. For one covered transaction tested, the transaction was not completed using a City prepared contract, and, as such, the suspension and debarment clause was not included. For the other covered transaction tested, a contract was not entered into, and neither of the other two methods, verifying SAM exclusions or collection of a certification, were completed.

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

The lack of effective 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 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 system of internal controls as established by management did not take into consideration the appropriate and necessary actions to take when the City's contract template was not utilized or a formal contract was not required.

Effect

Without the proper implementation of an effectively designed system of internal controls, the City cannot ensure 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 funds. 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 recommended that management of the City establish a proper system of internal controls, including strengthening its policies and procedures to ensure that contractors paid \$25,000 or more, all or in part with federal funds, are not suspended, debarred, or otherwise excluded prior to making payment or entering into a contract.

CITY OF HOBART
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 2023-003

Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Reporting
Federal Agency: Department of the Treasury
Federal Program: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
Assistance Listings Number: 21.027
Federal Award Number and Year (or Other Identifying Number): FY2022
Compliance Requirement: Reporting
Audit Finding: Material Weakness

Condition and Context

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

The City was classified as a city with a population below 250,000 residents that received an allocation of less than \$10 million in State and Local Fiscal Recovery Funds. As such, the 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, 2023.

The P&E report submitted in April 2023 was prepared and submitted by one employee without evidence of an oversight or review process to ensure accuracy.

The lack of internal controls was isolated to the April 2023 P&E report.

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 which would include segregation of key functions. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the City's management of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

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

Effect

Without the proper design and implementation of the components of a system of internal controls, including policies and procedures that provide for segregation of duties and additional oversight as needed, the system cannot be capable of effectively preventing, or detecting and corrections, material noncompliance.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the City design and implement a proper system of internal controls, including policies and procedures that would provide segregation of duties to ensure appropriate reviews, approvals and oversight are taking place.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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



"The Friendly City"

The City of Hobart

414 Main Street · Hobart, Indiana 46342

Deborah A. Longer
Clerk-Treasurer
(219) 942-1940

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-001 & 2022-001

Fiscal year in which the finding initially occurred: 2021

Current Audit Period: 2023

Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards

Summary of Finding: Material Weakness, Noncompliance

The City failed to properly review the federal grant information prepared and submitted in the Indiana Gateway for Government Units financial reporting system, which was the source of the City's Schedule of Expenditures of Federal Awards (SEFA). Although the preparation of the draft was reviewed and approved by the Clerk-Treasurer, the internal control was not effective and did not detect and allow correction of errors prior to submission.

Status of Audit Finding: Fully Corrected.

The City of Hobart has had an effective internal control system in place since April 2017 (Common Council Resolution 2017-03 Communicating the City of Hobart Internal Control Objectives and to Document the Responsibilities, Procedures and Activities related to the City of Hobart Internal Control Standards) to ensure compliance with the requirements of the Federal Grant, it also relies on the individual Employee in Responsible Charge (ERC) of each grant to oversee and review the reporting of the grants. On a quarterly basis, the Clerk-Treasurer provides activity reports for each grant to the ERC for review who are to note any discrepancies as to the activity of the grant shown along with the program names, pass-through entities and identifying numbers and inform the Clerk-Treasurer of changes needed. At the end of the fiscal year, these reports are used to complete the Schedule of Expenditures of Federal Awards (SEFA). The draft SEFA is also given to each ERC for review prior to being submitted into Gateway to allow for corrections or updates to the information.

In April, 2023, each ERC was provided a copy of the Finding 2022-001 to remind them of their responsibilities and the necessary procedures and activities related to the overseeing of the grants and direct them to review the Internal Control Policies regarding the responsibilities, procedures and activities to assure the proper reporting in all areas of the SEFA in future years. The Mayor at that time also admonished his department heads to carefully assume full responsibility for the reporting of grants. At the end of the year when the SEFA was prepared, ERC's were given their worksheets to review and approve before submittal

Response Comments: In future years, the Clerk-Treasurer will work closely with the ERC's to assure compliance evidenced by the filing of an accurate SEFA. It is also hoped that the new administration and new department heads will understand the importance of following the internal control policies.



"The Friendly City"

The City of Hobart

414 Main Street · Hobart, Indiana 46342

Deborah A. Longer
Clerk-Treasurer
(219) 942-1940

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2022-002

Fiscal year in which the finding initially occurred: 2022

Current Audit Period: 2023

Finding Subject: Highway Planning and Construction Cluster – Procurement and Suspension and Debarment

Summary of Finding: Material Weakness, Modified Opinion

The special purchase procurement of the CNG refuse haulers was done by Resolution of the Board of Public Works and Safety. This Resolution included references to the State Statutes permitting acquisitions of this type but did not include any reference to the Federal statutes and requirements. In addition, the Employee in Responsible Charge (ERC) and the agency assisting with the grants and purchasing failed to verify that the vendor was neither suspended nor debarred to assure they would be a qualified vendor.

Status of Audit Finding: Partially Corrected.

The City Attorney was appraised of both of these issues. In the future, any special purchase of equipment that utilizes Federal funding will include a reference to the State and Federal statutes governing such in the City's official action prior to moving forward and will meet all of the requirements of same. In addition, the City Attorney has included in all City contracts that the Vendor is required to provide assurances that they are a qualified vendor and not currently suspended or disbarred from doing business. In April 2023, each Department Head was provided a copy of the Finding 2022-02 to serve as a reminder of their responsibilities and the necessary procedures and activities related to the overseeing of procurement and suspension and debarment of equipment and directed them to review the Internal Control Policies regarding the responsibilities, procedures and activities to assure the proper reporting. In addition, the Internal Control Policies of the City will be reviewed no less than annually and updated as needed to address any additional issues or requirements for procurement and suspension and debarment.

Response Comments: In future years, the Clerk-Treasurer will work closely with the Department Heads to assure compliance evidenced correct procurement and suspension and debarment procedures. It is also hoped that the new administration and new department heads will understand the importance of following the internal control policies.



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CORRECTIVE ACTION PLAN

FINDING: 2023-001

Finding Subject: Equitable Sharing program – Procurement and Suspension and Debarment

Summary of Finding: Prior to entering into subawards and covered transactions with Equitable Program funds, recipients are required to verify that vendors 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 person, or adding a clause or condition to the covered transaction with that person. In the activity in 2023, three covered transactions tested had no documentation to show that suspension and debarment of the vendor was verified prior to entering into purchases of over \$25,000..

Contact Person Responsible for Corrective Action: Deborah A. Longer, Clerk-Treasurer

Contact Phone Number and Email Address: (219) 942-1940 clerk-treasurer@cityofhobart.org

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: When entering into a covered transaction with a vendor, the City will require the vendor to provide proof that the business is not excluded or disqualified (i.e. suspended or debarred). Proof of this may be provided by: (a) Checking Excluded Parties List System (EPLS) SAM Exclusions; (b) collecting a Certification from the vendor; or (c) adding a clause or condition to the covered transaction with that vendor within the body of a contract or procurement agreement.

Anticipated Completion Date: August 27, 2024

Signed: Deborah A. Longer
Deborah A. Longer, Clerk-Treasurer

Date: August 27, 2024



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Clerk-Treasurer

CORRECTIVE ACTION PLAN

FINDING: 2023-002

Finding Subject: COVID 19 – Coronavirus State and Local Fiscal Recovery Funds – Procurement and Suspension and Debarment

Summary of Finding: Prior to entering into subawards and covered transactions with COVID 19 – Coronavirus State and Local Fiscal Recovery funds, recipients are required to verify that vendors 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 person, or adding a clause or condition to the covered transaction with that person. In the activity in 2023, two covered transactions tested had no documentation to show that suspension and debarment of the vendor was verified prior to entering into purchases of over \$25,000.

Contact Person Responsible for Corrective Action: Deborah A. Longer, Clerk-Treasurer

Contact Phone Number and Email Address: (219) 942-1940 clerk-treasurer@cityofhobart.org

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: When entering into a covered transaction with a vendor, the City will require the vendor to provide proof that the business is not excluded or disqualified (i.e. suspended or debarred). Proof of this may be provided by: (a) Checking Excluded Parties List System (EPLS) SAM Exclusions; (b) collecting a Certification from the vendor; or (c) adding a clause or condition to the covered transaction with that vendor within the body of a contract or procurement agreement.

Anticipated Completion Date: August 27, 2024

Signed: Deborah A. Longer
Deborah A. Longer, Clerk-Treasurer

Date: August 27, 2024



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Clerk-Treasurer

CORRECTIVE ACTION PLAN

FINDING: 2023-003

Finding Subject: COVID 19 – Coronavirus State and Local Fiscal Recovery Funds - Reporting

Summary of Finding: An effective Internal Control System, which would include segregation of duties, was not in place at the City in order to ensure compliance with requirement related to the grant agreement and the reporting compliance requirement. Project and Expenditure reports were to be completed annually for the federal program by the City. In 2023, one employee prepared and submitted the annual report without evidence of a review by a second individual.

Contact Person Responsible for Corrective Action: Deborah A. Longer, Clerk-Treasurer

Contact Phone Number and Email Address: (219) 942-1940 clerk-treasurer@cityofhobart.org

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: While the City concurs with the finding, the Clerk-Treasurer also distributed the prepared 2023 report via email to the Mayor and the Common Council members prior to submittal, requesting their review and/or comments. When no comments were offered within a reasonable time, the Clerk-Treasurer submitted the report in a timely fashion as required. Future reporting activities will be distributed to the Mayor and the Council in a similar way but will require some type of response as evidence of their review prior to submittal.

Anticipated Completion Date: August 27, 2024

Signed: Deborah A. Longer
Deborah A. Longer, Clerk-Treasurer

Date: August 27, 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/>.