

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF MICHIGAN CITY

LA PORTE COUNTY, INDIANA

January 1, 2023 to December 31, 2023



**FILED**  
09/16/2024



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## SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Yvonne Hoffmaster	01-01-23 to 12-31-23
	Mary Lynn Wall	01-01-24 to 12-31-24
Mayor	Duane Parry	01-01-23 to 12-31-23
	Angie Nelson Deutch	01-01-24 to 12-31-24
President of the Board of Public Works and Safety	Virginia Keating	01-01-23 to 12-31-23
	Tim Bietry	01-01-24 to 02-13-24
	Gene Simmons	02-14-24 to 03-18-24
	Skyler York	03-19-24 to 12-31-24
President of the Common Council	Sean Fitzpatrick	01-01-23 to 12-31-23
	Donald Przybylinski	01-01-24 to 12-31-24
Superintendent of the Water Utility	Christopher Johnsen	01-01-23 to 12-31-24
President of the Water Utility Board of Directors	Kenneth Behrendt	01-01-23 to 12-31-24
General Manager of the Sanitary District	Milorad Milatovic	01-01-23 to 05-07-24
	Chris Yagelski (interim)	05-08-24 to 12-31-24
President of the Sanitary District Board of Commissioners	Tim Smith	01-01-23 to 12-31-23
	Linda Simmons	01-01-24 to 12-31-24
President of the Redevelopment Authority	Nicholas Walz	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 MICHIGAN CITY, LA PORTE 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 Michigan City (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 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 MICHIGAN CITY, LA PORTE COUNTY, INDIANA

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

***Qualified Opinion***

We have audited the City of Michigan City'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 Opinion* 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 Opinion**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the 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 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)

*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 items 2023-001 and 2023-005 for Procurement and Suspension and Debarment, and items 2023-004 and 2023-006 for Reporting. Compliance with such requirement is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

***Responsibilities of Management for Compliance***

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR 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)

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2023-003. Our opinion on the major federal program is not modified with respect to these matters.

*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, 2023-003, 2023-004, 2023-005, and 2023-006, 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 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.

CITY OF MICHIGAN CITY  
 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 Housing and Urban Development</u>					
CDBG - Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grants					
CDBG 2017	Direct Grant	14.218	B-17-MC-18022	\$ -	\$ 3,050
CDBG 2018			B-18-MC-18022	15,514	204,117
CDBG 2019			B-19-MC-18022	38,491	342,544
CDBG 2020			B-20-MC-18022	386	75,233
CDBG 2021			B-21-MC-18022	8,829	34,152
CDBG 2022			B-22-MC-18022	5,000	5,000
Total - Community Development Block Grants/Entitlement Grants				<u>68,220</u>	<u>664,096</u>
COVID-19: Community Development Block Grants/Entitlement Grants					
COVID-19 - Community Development Block Grants/Entitlement Awards		14.218	B-20-MW-18-022	56,212	56,212
Total - CDBG - Entitlement Grants Cluster				<u>124,432</u>	<u>720,308</u>
Total - Department of Housing and Urban Development				<u>124,432</u>	<u>720,308</u>
<u>Department of Justice</u>					
Equitable Sharing Program					
DEA Forfeiture	Direct Grant	16.922	DEA	-	125,196
Total - Department of Justice				<u>-</u>	<u>125,196</u>
<u>Department of Transportation</u>					
Federal Transit Cluster					
Federal Transit Formula Grants					
Transit Operating	Direct Grant	20.507	IIN-2019-02501	-	831,194
Total - Federal Transit Cluster				<u>-</u>	<u>831,194</u>
Highway Safety Cluster					
State and Community Highway Safety					
Impaired Driving and Unrestrained Occupants	Indiana Criminal Justice Institute	20.600	CHIRP-2023-0086	-	2,292
Total - Highway Safety Cluster				<u>-</u>	<u>2,292</u>

CITY OF MICHIGAN CITY  
 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
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	Direct Grant	20.106			
AIP 25			3-18-0055-025	-	9,000
AIP 28			3-18-0055-028	-	143,100
Total - Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs				-	152,100
Highway Planning and Construction	Indiana Department of Transportation	20.205			
Singing Sands Lighthouse Trail Phase III			DES #1601869	-	112,576
Singing Sands Lighthouse Trail Phase I			DES #301165	-	28,555
Total - Highway Planning and Construction				-	141,131
Total - Department of Transportation				-	1,126,717
<u>Department of the Treasury</u>					
COVID-19: Coronavirus State and Local Fiscal Recovery Funds		21.027			
Coronavirus Local Fiscal Relief	Direct Grant		2021	-	4,531,515
Body Camera	Indiana Department of Homeland Security		71391	-	61,740
US 12 Stormwater Drainage Improvement Project	Indiana Finance Authority		TRSW222046	-	62,370
Total - COVID-19 Coronavirus State and Local Fiscal Recovery Funds				-	4,655,625
Total - Department of the Treasury				-	4,655,625
<u>Environmental Protection Agency</u>					
Beach Monitoring and Notification Program Implementation Grants	Indiana Department of Environmental Management	66.472			
Beach Act Grant			CU-10E73102	-	37,240
Total - Environmental Protection Agency				-	37,240
Total federal awards expended				\$ 124,432	\$ 6,665,086

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

CITY OF MICHIGAN CITY  
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 MICHIGAN CITY  
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 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 Programs 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
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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: COVID-19: Coronavirus State and Local Fiscal Recovery Funds - 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): 2021  
 Compliance Requirement: Procurement and Suspension and Debarment  
 Audit Findings: Material Weakness, Modified Opinion

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

*Repeat Finding*

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

*Condition and Context*

The City elected to receive the standard revenue loss allowance, allowing the City to claim \$10,000,000 of its total State and Local Fiscal Recovery Funds (SLFRF) allocation of \$16,549,045 as revenue loss to use for government services. All SLFRF program funds expended in 2023 were under the revenue loss eligible use category. The U.S. Department of the Treasury (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, the City was only required to comply with suspension and debarment requirements related to contracts.

The City's policies related to SLFRF suspension and debarment requirements included the Board of Public Works completing a review of each bid packet to ensure the bidder submitted a statement indicating if they were not suspended or debarred. Of the 14 transactions that equaled or exceeded \$25,000 that were paid from SLFRF funds during the audit period, 3 were selected for testing to verify the City followed its procedures related to suspension and debarment.

There was 1 transaction in the amount of \$226,050 that was made for the purchase of a municipal tractor sweeper for the Street Department. Although bids were obtained for the street sweeper, the vendor's suspension and debarment status was not verified prior to payment.

The 2<sup>nd</sup> second transaction selected for testing in the amount of \$55,355 was made for the purchase of a Ford F250 truck for the Park Department. The purchase was made without verifying the vendor's suspension and debarment status.

The 3<sup>rd</sup> transaction selected for testing in the amount of \$128,800 was made for the maintenance of a fence in Patriot Park for the Park Department. The purchase was made without verifying the vendor's suspension and debarment status.

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

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

*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 system of internal controls as established by management of the City was not properly implemented to ensure that the policies and procedures in place related to suspension and debarment were appropriately followed.

*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 non-compliance. As such, the City cannot ensure the contractors paid with federal funds are eligible to participate in federal programs. Any program funds the City used to pay contractors that have been suspended or debarred would be unallowable, and the funding agency could potentially recover them. 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 all contractors that are paid \$25,000 or more, all or in part with federal funds, are not suspended or debarred from participating in federal programs before entering into contracts.

CITY OF MICHIGAN CITY  
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 2023-002**

Subject: COVID-19: Coronavirus State and Local Fiscal Recovery Funds - Reporting - Internal Controls  
Federal Agency: Department of the Treasury  
Federal Program: COVID-19: Coronavirus State and Local Fiscal Recovery Funds - Reporting - Internal Controls  
Assistance Listings Number: 21.027  
Federal Award Number and Year (or Other Identifying Number): 2021  
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 2022-002.

*Condition and Context*

The City had not properly 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, noncompliance. 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 metropolitan city with a population below 250,000 residents that received an allocation of more than \$10 million in Coronavirus State and Local Fiscal Recovery Funds funding. The quarterly reports were to cover one calendar quarter and must be submitted to the Treasury by the last day of the month following the end of the period covered.

The City submitted four P&E reports during the audit period; however, a single employee prepared and submitted each P&E report without a review or oversight process in place to prevent, or detect and correct, errors.

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:

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

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

*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.

*Effect*

Without the proper design or implementation of the components of a 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 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.

**FINDING 2023-003**

Subject: COVID-19: Coronavirus State and Local Fiscal Recovery Funds - Body Camera - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance

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): 71391

Pass-Through Entity: Indiana Department of Homeland Security

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/  
Cost Principles, Period of Performance

Audit Findings: Material Weakness, Other Matters

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

*Condition and Context*

The City's Police Department applied for and was awarded a body camera grant from the Indiana Department of Homeland Security (IDHS). The City's Police Department sought reimbursement from the IDHS in October of 2023. An invoice from Utility, dated October 28, 2022, in the amount of \$600,000 for body cameras was submitted for the reimbursement. The invoice was originally paid by the City with American Rescue Plan Act (ARPA) funds on April 3, 2023.

The City received reimbursement of \$61,740 from the IDHS on December 5, 2023, which was receipted into the City's Grant Fund along with the City's local match in the amount of \$30,870. The Controller's Office did an adjustment on December 31, 2023, in the amount of \$92,610, to reimburse the ARP Coronavirus LF Recovery Fund and decrease the Grant Fund, for the reimbursement of \$61,740 and the local share of \$30,870. However, per the grant agreement with the IDHS, "If the subrecipient incurs a financial obligation prior to approval of the State, then the subrecipient will be required to reimburse the State for the amount of funds that were not approved." As such, the expenditure was not an allowable activity or allowable cost and was outside of the period of performance due to the City incurring the expense prior to signing the grant agreement with the IDHS on March 3, 2023.

The lack of internal controls and noncompliance were isolated to the purchase noted above.

*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 200.403 states in part:

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

(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity. . . .

(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. . . ."

2 CFR 200.306(b) states:

"For all Federal awards, any shared costs or matching funds and all contributions, including cash and third-party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria:

(1) Are verifiable from the non-Federal entity's records;

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

- (2) Are not included as contributions for any other Federal award;
- (3) Are necessary and reasonable for accomplishment of project or program objectives;
- (4) Are allowable under [subpart E of this part](#);
- (5) Are not paid by the Federal Government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs;
- (6) Are provided for in the approved budget when required by the Federal awarding agency; and
- (7) Conform to other provisions of this part, as applicable."

The Grant Agreement states in part:

"Any purchases made by the Subrecipient that are not authorized by the U.S. Department of the Treasury allowability guidelines, the Subrecipient's Project or State, will not be reimbursed under this grant."

"Pre-award costs, as defined in 2 CFR 200.458, may not be paid with funding from this award."

2 CFR 200.458 states:

"Pre-award costs are those incurred prior to the effective date of the Federal award or subaward directly pursuant to the negotiation and in anticipation of the Federal award where such costs are necessary for efficient and timely performance of the scope of work. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the Federal award and only with the written approval of the Federal awarding agency. If charged to the award, these costs must be charged to the initial budget period of the award, unless otherwise specified by the Federal awarding agency or pass-through entity."

*Cause*

Management had not developed a system of internal controls that would have prevented or detected material noncompliance. The City did not ensure that the policies and procedures in place related to allowable or unallowable activities, allowable costs and cost principles, and period of performance were complied with at the acceptance of the grant from the IDHS.

*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 non-compliance. As a result, an invoice that was previously paid with other federal award funds was submitted for reimbursement to another agency. The original invoice was outside of the period of performance and unallowable as related to the award from the IDHS. 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*

We identified \$61,740 in questioned costs as noted above in the *Condition and Context*.

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

*Recommendation*

We recommended that management of the City establish a proper system of internal controls, including strengthening its policies and procedures to ensure all costs submitted for reimbursement are not already reimbursed by another federal award and are within the period of performance.

*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 - Body Camera - 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): 71391  
Pass-Through Entity: Indiana Department of Homeland Security  
Compliance Requirement: Reporting  
Audit Findings: Material Weakness, Modified Opinion

*Condition and Context*

The City had not properly 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, noncompliance. Recipients were required to submit quarterly progress reports to the Indiana Department of Homeland Security. Information to be reported included progress or performance on the project for the appropriate reporting period.

The City should have submitted two progress reports during the audit period since the grant agreement was signed on March 3, 2023, and a final quarterly report. The final quarterly report was submitted on October 30, 2023. However, the City only submitted one progress report which was prepared and submitted by a single employee without a review or oversight process in place to prevent, or detect and correct, errors.

The lack of internal controls was a systemic issue throughout the audit period. The noncompliance was isolated to the quarterly reports that were not submitted.

*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). . . ."

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

2 CFR 200.329(c) states:

*"Non-construction performance reports.* The Federal awarding agency must use standard, governmentwide OMB-approved data elements for collection of performance information including performance progress reports, Research Performance Progress Reports.

- (1) The non-Federal entity must submit performance reports at the interval required by the Federal awarding agency or pass-through entity to best inform improvements in program outcomes and productivity. Intervals must be no less frequent than annually nor more frequent than quarterly except in unusual circumstances, for example where more frequent reporting is necessary for the effective monitoring of the Federal award or could significantly affect program outcomes. Reports submitted annually by the non-Federal entity and/or pass-through entity must be due no later than 90 calendar days after the reporting period. Reports submitted quarterly or semiannually must be due no later than 30 calendar days after the reporting period. Alternatively, the Federal awarding agency or pass-through entity may require annual reports before the anniversary dates of multiple year Federal awards. The final performance report submitted by the non-Federal entity and/or pass-through entity must be due no later than 120 calendar days after the period of performance end date. A subrecipient must submit to the pass-through entity, no later than 90 calendar days after the period of performance end date, all final performance reports as required by the terms and conditions of the Federal award. If a justified request is submitted by a non-Federal entity, the Federal agency may extend the due date for any performance report.
- (2) As appropriate in accordance with above mentioned performance reporting, these reports will contain, for each Federal award, brief information on the following unless other data elements are approved by OMB in the agency information collection request:
  - (i) A comparison of actual accomplishments to the objectives of the Federal award established for the period. Where the accomplishments of the Federal award can be quantified, a computation of the cost (for example, related to units of accomplishment) may be required if that information will be useful. Where performance trend data and analysis would be informative to the Federal awarding agency program, the Federal awarding agency should include this as a performance reporting requirement.
  - (ii) The reasons why established goals were not met, if appropriate.
  - (iii) Additional pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs."

The Grant Agreement states in part:

"The Subrecipient shall submit to the State written progress reports until completion of the project. These reports shall be submitted on a quarterly basis and shall contain such detail of progress or performance on the Project or as requested by the State."

*Cause*

Management had not developed a system of internal controls that would have prevented or detected and allowed for correction of material noncompliance. The City did not complete and submit quarterly reports as required because the officials were unaware of the requirement.

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

*Effect*

Without the proper design or implementation of the components of a system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, noncompliance. As such, not all the required reports were not submitted.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that management of the City design and implement a proper system of internal controls, including policies and procedures to ensure the City completes and submits all required reports.

*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 - US 12  
Stormwater Drainage Improvement Project - 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): TRSW222046  
Pass-Through Entity: Indiana Finance Authority  
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 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.

The City's policies related to suspension and debarment requirements included the Board of Public Works completing a review of each bid packet to ensure the bidder submitted a statement indicating if they were not suspended or debarred. There was one contract that equaled or exceeded \$25,000 during the audit period, which was selected for testing to verify the City followed its procedures related to suspension and debarment.

One contract was identified and tested during the audit period. The contract in the amount of \$148,795 was for the construction work on the US 12 Stormwater Drainage Improvement project by the City Sanitary District. Although bids were obtained for the construction project, the vendor's suspension and debarment status was not verified prior to payment.

The lack of internal controls and noncompliance were isolated to the contract noted above.

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

*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 system of internal controls as established by management of the City was not properly implemented to ensure that the policies and procedures in place related to suspension and debarment were appropriately followed.

*Effect*

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As such, the City cannot ensure the contractors paid with federal funds are eligible to participate in federal program. Any program funds the City used to pay contractors that have been suspended or debarred would be unallowable, and the funding agency could potentially recover them. 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 all contractors that are paid \$25,000 or more, all or in part with federal funds, are not suspended or debarred from participating in federal programs before entering into contracts.

CITY OF MICHIGAN CITY  
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 2023-006**

Subject: COVID-19: Coronavirus State and Local Fiscal Recovery Funds -  
US 12 Stormwater Drainage Improvement Project - Reporting  
Federal Agency: Department of the Treasury  
Federal Program: COVID-19: Coronavirus State and Local Fiscal Recovery Funds  
Assistance Listing Number: 21.027  
Federal Award Number and Year (or Other Identifying Number): TRSW222046  
Pass-Through Entity: Indiana Finance Authority  
Compliance Requirement: Reporting  
Audit Findings: Material Weakness, Modified Opinion

*Condition and Context*

The City had not properly 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, noncompliance. Recipients were required to submit quarterly expenditure reports and a final report to the Indiana Finance Authority. Information to be reported included the expenditures of the grant and the status on the project for the appropriate reporting period.

The City should have submitted four expenditure reports and a final report since the grant agreement was signed on February 25, 2022. However, the City only submitted one expenditure report for the fourth quarter and a final report. In addition, a single employee prepared and submitted the progress report without a review or oversight process in place to prevent, or detect and correct, errors.

The lack of internal controls was a systemic issue throughout the audit period. The noncompliance was isolated to the missing reports noted above.

*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 200.329(c) states:

"*Non-construction performance reports.* The Federal awarding agency must use standard, governmentwide OMB-approved data elements for collection of performance information including performance progress reports, Research Performance Progress Reports.

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

- (1) The non-Federal entity must submit performance reports at the interval required by the Federal awarding agency or pass-through entity to best inform improvements in program outcomes and productivity. Intervals must be no less frequent than annually nor more frequent than quarterly except in unusual circumstances, for example where more frequent reporting is necessary for the effective monitoring of the Federal award or could significantly affect program outcomes. Reports submitted annually by the non-Federal entity and/or pass-through entity must be due no later than 90 calendar days after the reporting period. Reports submitted quarterly or semiannually must be due no later than 30 calendar days after the reporting period. Alternatively, the Federal awarding agency or pass-through entity may require annual reports before the anniversary dates of multiple year Federal awards. The final performance report submitted by the non-Federal entity and/or pass-through entity must be due no later than 120 calendar days after the period of performance end date. A subrecipient must submit to the pass-through entity, no later than 90 calendar days after the period of performance end date, all final performance reports as required by the terms and conditions of the Federal award. If a justified request is submitted by a non-Federal entity, the Federal agency may extend the due date for any performance report.
  
- (2) As appropriate in accordance with above mentioned performance reporting, these reports will contain, for each Federal award, brief information on the following unless other data elements are approved by OMB in the agency information collection request:
  - (i) A comparison of actual accomplishments to the objectives of the Federal award established for the period. Where the accomplishments of the Federal award can be quantified, a computation of the cost (for example, related to units of accomplishment) may be required if that information will be useful. Where performance trend data and analysis would be informative to the Federal awarding agency program, the Federal awarding agency should include this as a performance reporting requirement.
  
  - (ii) The reasons why established goals were not met, if appropriate.
  
  - (iii) Additional pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs."

The Grant Agreement states in part:

"The Participant will report to the Finance Authority on the Participant's expenditure of the Grant and the status of the Project on the first day of each quarter following the date of this Agreement, and on the first day of every quarter thereafter until the Participant extends all the Grant funds and completes the Project, whichever is later. At the time the Participant completes the Project, the Participant will provide promptly to the Finance Authority a final report (the "Final Report"). All reports to the Finance Authority will be in form and substance satisfactory to the Finance Authority and as may be required by the United States Department of Treasury . . ."

*Cause*

Management had not developed a system of internal controls that would have prevented or detected and allowed for correction of material noncompliance. The City did not complete and submit quarterly reports as required because the officials were unaware of the requirement.

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

Without the proper design or implementation of the components of a system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, noncompliance. As such, not all the required reports were not submitted.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that management of the City design and implement a proper system of internal controls, including policies and procedures, to ensure the City completes and submits all required reports.

*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.

# City of Michigan City



Office of City Controller ~ Mary Lynn Wall, City Controller ~ Phone: 219 873-1404 ext. 2006 ~ emailmlwall@emichigancity.com

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***FINDING 2022-001***

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

**Current Audit Period:** January 1, 2023 to December 31, 2023

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

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

Vendors to whom payments equal to or in excess of \$25,000 were not verified to be not suspended, debarred, or otherwise excluded

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

Not Corrected

#### **Response Comments:**

The corrective action plan for finding 2022-001 was to be implemented May 1, 2023. The corrective action plan submitted in 2023 failed to resolve the deficiency due to the requirement for attaching a screen shot from Sam.Gov appears under the "purchase greater than \$150,000" section of the checklist created May 2022.

The checklist will be updated to add the section pertaining to checking for suspension and debarment to the proof of funding requirement. The verification will be completed by the Controller's office at the same time as verifying the proof of funding. For any funding from Federal Grants, the Controller's office will verify the Vendor is not on the exclusion listing in Sam.Gov. The Controller's office will upload the Sam.Gov screenshot to the Purchase Order prior to the final approval.

The Controller's office has advised the President of the BOW of these changes.

Angie Nelson Deutch~ MAYOR

City of Michigan City ~ City Hall ~ 100 East Michigan Blvd, Michigan City IN 46360  
WEB ~ emichigancity.com

# City of Michigan City



Office of City Controller ~ Mary Lynn Wall, City Controller ~ Phone: 219 873-1404 ext. 2006 ~ emailmlwall@emichigancity.com

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***FINDING 2022-002***

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

**Current Audit Period:** January 1, 2023 to December 31, 2023

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

**Summary of Finding:**

The City of Michigan City was not in compliance with effective internal controls related to submitting the P&E reports.

**Status of Audit Finding:**

Partially corrected

**Response Comments:**

Controller's office was not consistent in having the Assistant Controller, or 2<sup>nd</sup> Assistant Controller review the project and expenditure report.

Beginning with the SLRF report for the fourth quarter 2023, the projects listing was downloaded from the Treasury website and reviewed by the Assistant Controller prior to the Controller submitting the report. This has been done for the first and second quarter report for 2024 and will continue for all report submissions.

Angie Nelson Deutch~ MAYOR

City of Michigan City ~ City Hall ~ 100 East Michigan Blvd, Michigan City IN 46360  
WEB ~ emichigancity.com

# City of Michigan City



Office of City Controller ~ Mary Lynn Wall, City Controller ~ Phone: 219 873-1404 ext. 2006 ~ emailmlwall@emichigancity.com

## **FINDING 2023-001**

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

### **Summary of Finding:**

Prior to entering into subawards and covered transactions with SLFRF award funds, the City of Michigan City did not verify that such contractors and vendors were not suspended, debarred, or otherwise excluded.

**Contact Person Responsible for Corrective Action:** Mary Lynn Wall

**Contact Phone Number and Email Address:** 219-873-1404 Ext. 2006 [mlwall@emichigancity.com](mailto:mlwall@emichigancity.com)

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

*We concur with the finding*

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

To bring the City into compliance with effective internal controls with regards to suspension and debarment, the City has updated the purchasing checklist, Exhibit A, clarifying the requirement for the Controller's office to verify suspension or debarment in Sam.Gov.

**Anticipated Completion Date:** August 26, 2024

Angie Nelson Deutch~ MAYOR

City of Michigan City ~ City Hall ~ 100 East Michigan Blvd, Michigan City IN 46360  
WEB ~ emichigancity.com

**PURCHASING CHECKLIST**  
**CHOOSE THE APPROPRIATE SECTION BELOW**

**SECTION I**

1. Is this purchase a small purchase for capital equipment or operating supplies under \$50,000?  
\_\_\_\_\_ Yes (proceed to 2.)      \_\_\_\_\_ No (proceed to Section II)
  
2. Purchase less than \$2,500 with sufficient funding in budget
  - a. Inquire with at least two (2) vendors – must document date, who spoken with, what the quote is for, and price.
  - b. Upload this checklist and two quotes to purchase order.
  
3. \$2,500 - \$24,999 with sufficient funding in budget, you must submit written solicitations, with detailed specifications, to at least two (2) vendors
  
4. \$25,000 - \$49,999 you must submit written solicitations, with detailed specifications, to at least three (3) vendors
  - a. Obtain proof of funding from Controller’s Office.
  - b. Controller’s office will verify suspension or debarment in Sam.Gov if needed
  
5. The quote or solicitation with detailed specifications and proof of funding must accompany the purchase order when submitted

\_\_\_\_\_  
Department Head Signature

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**SECTION II – CAPITAL EQUIPMENT AND OPERATING SUPPLIES GREATER THAN \$50,000**

1. Is this purchase for capital equipment or operating supplies between \$50,000 and \$149,999.99?  
\_\_\_\_\_ Yes (proceed to 1a.)      \_\_\_\_\_ No (proceed to 3.)
  - a. Written solicitation with detailed specifications must be **preapproved** by Board of Works.
  - b. Proof of Funding attached (obtained from Controller’s Office).
  - c. Date submitted to BOW \_\_\_\_\_
  - d. Signature of BOW President \_\_\_\_\_
  
2. After BOW approval, obtain quotes from three (3) vendors known to deal in the line of business. Upload this checklist and three quotes to purchase order.
  
3. The Controller’s Office will verify for suspension or debarment if Federal Funds are used. Attach Sam.Gov screen shot to purchase order.

\_\_\_\_\_  
Department Head Signature

EXHIBIT A

4. If the purchase is greater than \$150,000, **the formal bid process must be followed.**
  - a. Written solicitation with detailed specifications must be **preapproved** by Board of Works.
  - b. Proof of Funding attached (obtained from Controller's Office).
  - c. Date submitted to BOW \_\_\_\_\_
  - d. Signature of BOW President \_\_\_\_\_
5. Upload the awarded bid, proof of advertising and this checklist to purchase order.
6. The Controller's Office will verify for suspension or debarment if Federal Funds are used. Attach Sam.Gov screen shot to purchase order.

---

Department Head Signature

**SECTION III – SERVICE AGREEMENTS**

1. Is the service agreement less than \$5,000?  
\_\_\_\_\_ Yes (proceed to 2.)      \_\_\_\_\_ No (proceed to 3.)
2. Service Agreement less than \$5,000
  - a. Inquire with at least two (2) vendors – must document date, who spoken with, what the quote is for, and price.
  - b. Upload this checklist and two quotes to purchase order.

---

Department Head Signature

3. Service Agreement greater than \$5,000.
  - a. Written solicitation with detailed specifications must be **preapproved** by Board of Works.
  - b. Proof of Funding attached (obtained from Controller's Office).
  - c. Controller's office will verify suspension or debarment if federal Funds are used.
  - d. Date submitted to BOW \_\_\_\_\_
  - e. Signature of BOW President \_\_\_\_\_
4. After BOW approval, obtain quotes from three (3) vendors known to deal in the line of business. Upload this checklist and three quotes to purchase order.

---

Department Head Signature

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**SECTION IV – PROFESSIONAL SERVICES (ACCOUNTING, ARCHITECTURAL, ENGINEERING, LEGAL OR OTHER ADVISORY SERVICES FOR WHICH A LICENSE IS NEEDED)**

1. Written solicitation with detailed specifications must be **preapproved** by Board of Works
  - a. Proof of Funding attached (obtained from Controller’s Office).
  - b. Controller’s office will verify suspension or debarment if Federal Funds are used.
  - c. Date submitted to BOW \_\_\_\_\_
  - d. Signature of BOW President \_\_\_\_\_
2. After BOW approval, upload this checklist and specifications to purchase order.

\_\_\_\_\_  
Department Head Signature

**SECTION V – LEASE AGREEMENTS IN THE AMOUNT OF \$5,000 OR MORE AND DURATION OF ONE (1) YEAR OR LONGER**

1. In addition to the Quote and Bid process set forth above, any lease of equipment or capital (which includes but are not limited to vehicles, tools, machines, printers, computers, etc...) in the amount of \$5,000 or more and of a duration of one (1) year or longer, **MUST** first be approved by the Board of Works along with copies of any and all contracts.

\_\_\_\_\_  
Department Head Signature

# City of Michigan City



Office of City Controller ~ Mary Lynn Wall, City Controller ~ Phone: 219 873-1404 ext. 2006 ~ emailmlwall@emichigancity.com

## **FINDING 2023-002**

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

**Summary of Finding:** The City of Michigan City was not in compliance with effective internal controls related to submitting the P&E reports

**Contact Person Responsible for Corrective Action:** Mary Lynn Wall

**Contact Phone Number and Email Address:** 219-873-1404 [mlwall@emichigancity.com](mailto:mlwall@emichigancity.com)

## **Views of Responsible Officials:**

*We concur with the finding*

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

To bring the City into compliance with effective internal controls to ensure requirements related to the grant agreement and the reporting compliance requirements are satisfied, the City Controller will download from the Treasury website the project detail listing for the Deputy Controller to review and verify prior to submitting the report.

**Anticipated Completion Date:** 08/26/2024

Angie Nelson Deutch~ MAYOR

City of Michigan City ~ City Hall ~ 100 East Michigan Blvd, Michigan City IN 46360  
WEB ~ emichigancity.com

# City of Michigan City



Office of City Controller ~ Mary Lynn Wall, City Controller ~ Phone: 219 873-1404 ext. 2006 ~ emailmlwall@emichigancity.com

## CORRECTIVE ACTION PLAN

### **FINDING 2023-003**

**Finding Subject:** COVID - 19: Coronavirus State and Local Fiscal Recovery Funds – Body Camera – Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance

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

The City entered into a grant agreement on 03/03/2023 for the purchase of body cameras. The invoice for the body cameras was dated 10/28/2022, prior to approval from the state. The purchase was outside the period of performance.

**Contact Person Responsible for Corrective Action:** Mary Lynn Wall

**Contact Phone Number and Email Address:** 219-873-1404 Ext. 2006 [mlwall@emichigancity.com](mailto:mlwall@emichigancity.com)

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

*We concur with the finding*

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

In order for the City to insure that internal controls are in place to prevent noncompliance with federal awards, the City Controller's office will review and discuss with department personnel, all federal grant applications to ensure compliance with allowable costs and period of performance.

**Anticipated Completion Date:** 08/26/2024

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## CORRECTIVE ACTION PLAN

### ***FINDING 2023-004***

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

**Summary of Finding:**

The City did not design or implement a system of internal controls that would have prevented the omission of required progress reports, and lack of oversight process.

**Contact Person Responsible for Corrective Action:** Mary Lynn Wall

**Contact Phone Number and Email Address:** 219-873-1404 Ext. 2006 [mlwall@emichigancity.com](mailto:mlwall@emichigancity.com)

**Views of Responsible Officials:**

*We concur with the finding*

**Description of Corrective Action Plan:**

The City department responsible for federal grant reporting will review the grant requirements in order to ensure required reports are submitted in a timely manner. Reports will also be reviewed and documented by another employee prior to submission.

**Anticipated Completion Date:** 08/26/2024

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## CORRECTIVE ACTION PLAN

### **FINDING 2023-005**

**Finding Subject:** COVID - 19: Coronavirus State and Local Fiscal Recovery Funds – US 12 Stormwater Drainage Improvement Project – Suspension and Debarment

**Summary of Finding:** Prior to entering into subawards and covered transactions with SLFRF award funds, the City of Michigan City Sanitary District did not verify that such contractors and vendors were not suspended, debarred, or otherwise excluded.

**Contact Person Responsible for Corrective Action:** Mary Lynn Wall

**Contact Phone Number and Email Address:** 219-873-1404 Ext. 2006 [mlwall@emichigancity.com](mailto:mlwall@emichigancity.com)

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

*We concur with the finding*

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

To bring the Sanitary District into compliance with effective internal controls with regards to suspension and debarment, the Sanitary District will verify Contractors and Vendors for suspension or debarment in Sam.gov for any contracts paid with Federal grant funds over \$25,000. Verification will be documented by filing a screenshot from Sam.gov.

**Anticipated Completion Date:** 08/26/2024

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## CORRECTIVE ACTION PLAN

### **FINDING 2023-006**

**Finding Subject:** COVID - 19: Coronavirus State and Local Fiscal Recovery Funds – US 12 Stormwater Drainage Improvement Project – Reporting

**Summary of Finding:** The Michigan City Sanitary District did not design or implement a system of internal controls that would have prevented the omission of required progress reports, and lack of oversight process.

**Contact Person Responsible for Corrective Action:** Mary Lynn Wall 219-873-1404 Ext 2006

**Contact Phone Number and Email Address:** 219-873-1404 Ext 2006 [mlwall@emichigancity.com](mailto:mlwall@emichigancity.com)

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

*We concur with the finding*

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

The Sanitary District will review the federal grant requirements in order to ensure required reports are submitted in a timely manner. Reports will also be reviewed and documented by another employee prior to submission.

**Anticipated Completion Date:** 08/26/2024

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## 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/>.