

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

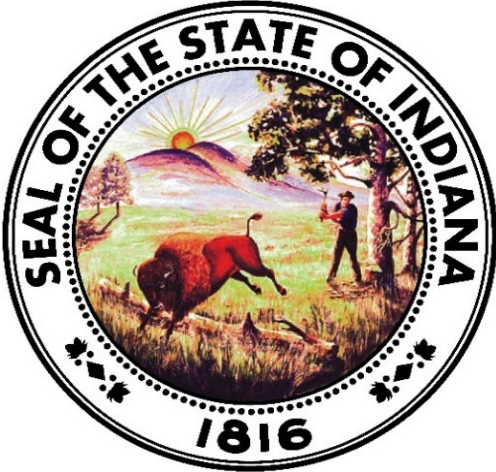
FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF NEW ALBANY

FLOYD COUNTY, INDIANA

January 1, 2023 to December 31, 2023



**FILED**  
09/17/2024



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i> .....	3-4
Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance .....	5-8
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards .....	11
Notes to Schedule of Expenditures of Federal Awards.....	12
Schedule of Findings and Questioned Costs.....	13-16
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	18
Corrective Action Plan .....	19-20
Other Reports.....	21

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Linda Moeller	01-01-23 to 12-31-24
Mayor	Jeff Gahan	01-01-23 to 12-31-24
President of the Board of Public Works and Safety	Mickey Thompson	01-01-23 to 12-31-24
President of the Common Council	Jennie E. Collier Adam T. Dickey	01-01-23 to 12-31-23 01-01-24 to 12-31-24
Utility Office Manager	April Dickey	01-01-23 to 12-31-24
President of the Redevelopment Authority Board	Terrance D. Becker	01-01-23 to 12-31-24



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

TO: THE OFFICIALS OF THE CITY OF NEW ALBANY, FLOYD COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the City of New Albany (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 29, 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 29, 2024



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

TO: THE OFFICIALS OF THE CITY OF NEW ALBANY, FLOYD COUNTY, INDIANA

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

***Opinion on the Major Federal Program***

We have audited the City of New Albany'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.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

**Basis for Opinion on the Major Federal Program**

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

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR 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)

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

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

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

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

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

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001. Our opinion on the major federal program is not modified with respect to this matter.

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

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

**Report on Internal Control over Compliance**

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001, 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 29, 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 29, 2024

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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CITY OF NEW ALBANY  
 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	Direct Grant	14.218			
FY20 CDBG-CV			B-20-MW-180018	\$ -	\$ 351
FY21 CDBG			B-21-MC-180018	-	60,058
FY22 CDBG			B-22-MC-180018	163,784	503,572
FY23 CDBG			B-23-MC-180018	7,347	56,613
Total - Community Development Block Grants/Entitlement Grants				<u>171,131</u>	<u>620,594</u>
Total - CDBG - Entitlement Grants Cluster				<u>171,131</u>	<u>620,594</u>
Total - Department of Housing and Urban Development				<u>171,131</u>	<u>620,594</u>
<u>Department of Justice</u>					
Equitable Sharing Program	Direct Grant	16.922			
Federal Equitable Share			2023	-	7,900
Total - Department of Justice				<u>-</u>	<u>7,900</u>
<u>Department of Transportation</u>					
Highway Safety Cluster					
State and Community Highway Safety	Indiana Criminal Justice Institute	20.600			
FY 2023 (CHIRP)			032NHT402	-	19,500
Total - Highway Safety Cluster				<u>-</u>	<u>19,500</u>
Highway Planning and Construction					
Mount Tabor Road	Indiana Department of Transportation	20.205			
East Main (5th Street to State Street)			DES#2000188	-	37,350
			DES#170073	-	34,700
Total - Highway Planning and Construction				<u>-</u>	<u>72,050</u>
Total - Department of Transportation				<u>-</u>	<u>91,550</u>
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Direct Grant	21.027			
FY21 ARP			CY2021	2,824,968	5,524,357
Total - Department of the Treasury				<u>2,824,968</u>	<u>5,524,357</u>
Total federal awards expended				<u>\$ 2,996,099</u>	<u>\$ 6,244,401</u>

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

CITY OF NEW ALBANY  
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 NEW ALBANY  
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 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 Program and type of auditor's report issued on compliance for it:

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

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 - 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): CY2021  
 Compliance Requirement: Reporting  
 Audit Findings: Material Weakness, Other Matters

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

*Condition and Context*

Recipients are required quarterly or annually to submit 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 (SLFRF). As such, the initial P&E report, covering the period from March 3, 2021 to March 31, 2022, was required to be submitted to the Treasury by April 30, 2022. The subsequent 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, the internal controls in place were not effective to prevent, or detect and correct, errors. As a result, errors in reporting were identified. The current period and cumulative expenditures reported consisted of the amounts expended by the beneficiaries who were awarded funds from the City rather than total amounts expended to the beneficiaries, resulting in current period expenditures and cumulative expenditures being incorrectly reported on all four reports as follows:

- *Quarterly Report: October 1, 2022 to December 31, 2022*

Current period expenditures were overstated by \$40,350. Cumulative expenditures were understated by \$262,057.

- *Quarterly Report: January 1, 2023 to March 31, 2023*

Current period expenditures were understated by \$2,338,864. Cumulative expenditures were understated by \$2,499,656.

- *Quarterly Report: April 1, 2023 to June 30, 2023*

Current period expenditures were understated by \$1,200,000. Cumulative expenditures were understated by \$3,699,656.

- *Quarterly Report: July 1, 2023 to September 30, 2023*

Current period expenditures were overstated by \$2,126,306. Cumulative expenditures were understated by \$1,573,349.

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:

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

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

31 CFR 35.4(c) states in part: "*Reporting and requests for other information.* During the period of performance, recipients shall provide to the Secretary periodic reports providing detailed accounting of the uses of funds, . . ."

2 CFR 200.1 states in part:

". . . *Expenditures* means charges made by a non-Federal entity to a project or program for which a Federal award was received. . . ."

(2) For reports prepared on a cash basis, expenditures are the sum of:

- (i) Cash disbursements for direct charges for property and services;
- (ii) The amount of indirect expense charged;
- (iii) The value of third-party in-kind contribution applied; and
- (iv) The amount of cash advance payments and payments made to subrecipients . . ."

*Coronavirus State and Local Fiscal Recovery Funds Compliance and Reporting Guidance*, page 10, states in part:

". . . **10. Reporting.** All recipients of federal funds must complete financial, performance, and compliance reporting as required and outlined in Part 2 of this guidance. Expenditures may be reported on a cash or accrual basis, as long as the methodology is disclosed and consistently applied. Reporting must be consistent with the definition of expenditures pursuant to 2 CFR 200.1. Your organization should appropriately maintain accounting records for compiling and reporting accurate, compliant financial data, in accordance with appropriate accounting standards and principles. . . ."

*Cause*

The City's oversight process for filing the P&E reports for the period of October 1, 2022 to September 30, 2023, did not detect errors in the P&E reports. The City's understanding was that the expenditures in its report should be based on when the beneficiaries expended the funds and not when the City disbursed the funds to the beneficiaries.

*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 did not report cumulative expenditures and current period expenditures properly when filing the P&E reports for periods from October 1, 2022 to September 30, 2023.

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

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. In addition, not meeting the SLFRF reporting requirements increases the likelihood that the public will not have access to transparent and accurate information regarding expenditures of federal awards.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that management of the City develop policies and procedures to ensure the City provides the Treasury with complete and accurate information as it relates to the City in its P&E 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 New Albany, Indiana  
Linda Moeller  
City Controller

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2021-002 and 2022-001**

**Fiscal year in which the finding initially occurred:** 2021

**Current Audit Period:** 2023

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

**Summary of Finding:** The City received a total State and Local Fiscal Recovery Funds (SLFRF) allocation of \$16,927,916. During the audit period, transactions expended under the eligible use categories of Public Health, Negative Economic Impact, and Water, Sewer, and Broadband Infrastructure, totaling \$5,636,040.

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 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. Upon inquiry of the City in order to review the procedures in place for verifying that an entity with which in plans to enter into a covered transaction is not suspended, debarred, or otherwise excluded, the City stated they did not have procedures in place related to the SLFRF suspension and debarment requirements. A population of 14 covered transactions for goods or services that equaled or exceeded \$25,000 paid from SLFRF funds during the audit period was identified. A sample of 4 covered transactions was selected for testing. For each of the 4 transactions, the City did not verify the vendors’ suspension and debarment status prior to payment. Due to the number and magnitude of exceptions identified, per auditor judgement, we concluded that it would not be appropriate to expand the sample size or perform any additional audit procedures.

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

**Status of Audit Finding:** Fully Corrected and the original corrective action was implemented.



## CORRECTIVE ACTION PLAN

### **FINDING 2023-001**

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

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

The City submitted four P&E reports during the audit period; however, the controls in place were not effective to prevent, or detect and correct, errors. As a result, errors in reporting were identified. The current period and cumulative expenditures reported consisted of the amounts expended by the beneficiaries who were awarded funds from the City, rather than total amounts expended to the beneficiaries, resulting in current period expenditures and cumulative expenditures being incorrectly reported on all four reports as follows:

- *Quarterly Report: October 1, 2022 to December 31, 2022*  
Current period expenditures were overstated by \$40,350. Cumulative expenditures were understated by \$262,057.
- *Quarterly Report: January 1, 2023 to March 31, 2023*  
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Current period expenditures were understated by \$1,200,000. Cumulative expenditures were understated by \$3,699,656.
- *Quarterly Report: July 1, 2023 to September 30, 2023*  
Current period expenditures were overstated by \$2,126,306. Cumulative expenditures were understated by \$1,573,349.

**Contact Person Responsible for Corrective Action: Linda Moeller**

**Contact Phone Number and Email Address: 812-948-5333 and [lmoeller@cityofnewalbany.com](mailto:lmoeller@cityofnewalbany.com)**

#### **Views of Responsible Officials and Explanation and Reasons for Disagreement:**

- We concur with the finding.
- However, the issue and non-compliance deals with the interpretation of the federal rules regarding the appropriate amounts to report and when to report them by subrecipients of the monies.



# City of New Albany, Indiana

Linda Moeller  
City Controller

- The non-compliance is not related to policies or controls not being effective to prevent, detect or correct errors. In fact, the reporting system initially implemented by the City and put in the federal reports provided the actual expenditures for those periods by recipients of the grants.
- However, the City does agree that after full examination and review of the federal rules the initial full amount of funds provided to the subrecipients should have been reported in full versus the actual expenditures during the periods.

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

- Current period and cumulative expenditures reported will consist of the amounts advanced to subrecipients.

## **Anticipated Completion Date:**

- The City has already made this correction in its most recent Quarterly Report April 1, 2024 to June 30, 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/>.