

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

**Paul D. Joyce, CPA
State Examiner**

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF GARY

LAKE COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED
12/23/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	5-7
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	11-13
Notes to Schedule of Expenditures of Federal Awards.....	14
Schedule of Findings and Questioned Costs.....	15-24
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	26-29
Corrective Action Plan	30-34
Other Reports.....	35

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Mileak Harper	01-01-23 to 02-28-23
	M. Celita Green	03-01-23 to 12-31-24
Mayor	Jerome Prince	01-01-23 to 12-31-23
	Eddie D. Melton	01-01-24 to 12-31-24
President of the Board of Public Works and Safety	Trent A. McCain	01-01-23 to 12-31-23
	Michael L. Suggs	01-01-24 to 12-31-24
President of the Common Council	William G. Godwin	01-01-23 to 08-27-23
	Tai A. Adkins (acting)	08-28-23 to 12-31-23
	Tai A. Adkins	01-01-24 to 12-31-24
Executive Director of the Sanitary and Storm Water Management Districts	Charles Peller Jr.	01-13-23 to 10-01-23
	Rhonda Anderson	10-02-23 to 04-14-24
	Brenda Scott-Henry (interim)	04-15-24 to 12-31-24
President of the Board of Sanitary and Storm Water Commissioners	Maurice Mabon	01-01-22 to 01-21-22
	Daniel F. Vicari	01-22-22 to 12-31-23
	William Allen	01-01-24 to 12-31-24



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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 GARY, LAKE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the City of Gary (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 November 21, 2024, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 and 2023-002, that we consider to be material weaknesses.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 and 2023-002.

City of Gary's Response to Findings

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

Purpose of This Report

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



Beth Kelley, CPA, CFE
Deputy State Examiner

November 21, 2024



Paul D. Joyce, CPA
State Examiner

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

TO: THE OFFICIALS OF THE CITY OF GARY, LAKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each 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 EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

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.

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.

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

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

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

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

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

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 November 21, 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

November 21, 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 GARY
 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 Commerce</u>					
Economic Development Cluster					
Investments for Public Works and Economic Development Facilities Buffington Harbor Road Project	Direct Grant	11.300	06-01-06008 URI: 109190	\$ -	\$ 803,711
Total - Economic Development Cluster				-	803,711
Total - Department of Commerce				-	803,711
<u>Department of Housing and Urban Development</u>					
CDBG - Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grants					
Community Development Block Grant	Direct Grant	14.218	B11MN180005	-	18,738
Community Development Block Grant			B20MC180005	-	278,582
Community Development Block Grant			B21MC180005	-	908,470
Community Development Block Grant			B22MC180005	-	2,098,300
Subtotal - Community Development Block Grants/Entitlement Grants				-	3,304,090
COVID-19 - Community Development Block Grants/Entitlement Grants	Direct Grant	14.218	B20MW180005	219,614	646,450
Total - CDBG - Entitlement Grants Cluster				219,614	3,950,540
Emergency Solutions Grant Program					
Emergency Solutions Grants Program	Direct Grant	14.231	E-20-MC-180005	-	2,063
Emergency Solutions Grants Program			E-21-MC-180005	11,618	29,293
Emergency Solutions Grants Program			E-22-MC-180005	122,541	122,541
Subtotal - Emergency Solutions Grants Program				134,159	153,897
COVID-19 - Emergency Solutions Grant Program	Direct Grant	14.231	E20MW180005	179,903	398,649
Total - Emergency Solutions Grant Program				314,062	552,546
Home Investment Partnerships Program					
Home Investment Partnerships Program	Direct Grant	14.239	M-16-MC-180203	-	86,976
Home Investment Partnerships Program			M-17-MC-180203	10,169	70,651
Home Investment Partnerships Program			M-18-MC-180203	-	406,682
Home Investment Partnerships Program			M-20-MC-180203	-	36,028
Home Investment Partnerships Program			M-22-MC180203	2,319	24,027
Home Investment Partnerships Program			M-23-MC180203	3,466	11,983
Total - Home Investment Partnerships Program				15,954	636,347
Total - Department of Housing and Urban Development				549,630	5,139,433

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Justice</u>					
Community-Based Violence Prevention Program Safe and Thriving Grant	Direct Grant	16.123	2017-MU-MU-K007	-	10,511
Equitable Sharing Program Equitable Sharing Program	Direct Grant	16.922	DEA-FY2023	-	159,423
Total - Department of Justice				-	169,934
<u>Department of Transportation</u>					
Highway Planning and Construction Highway Planning and Construction Highway Planning and Construction Highway Planning and Construction	Indiana Department of Transportation	20.205	DES # 1801738 DES # 1802973 DES # 1900186	- - -	206,829 99,040 575
Total - Highway Planning and Construction				-	306,444
Total - Department of Transportation				-	306,444
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds Gary Health Department Coronavirus State and Local Fiscal Recovery Fund	Indiana Department of Health Direct Grant	21.027	FY2023 FY2023	- -	27,046 20,016,253
Total - COVID-19 - Coronavirus State and Local Fiscal Recovery Funds				-	20,043,299
Total - Department of the Treasury				-	20,043,299
<u>Equal Employment Opportunity Commission</u>					
Employment Discrimination Title VII of the Civil Rights Act of 1964 Equal Employment Opportunity Commission	Direct Grant	30.001	EEC-45017C0056	-	37,869
Total - Equal Employment Opportunity Commission				-	37,869
<u>Environmental Protection Agency</u>					
Beach Monitoring and Notification Program Implementation Grants Beach Monitoring and Notification Program Implementation Grants	Indiana Department of Environmental Management	66.472	CU-10E73102-0	-	29,925
Total - Environmental Protection Agency				-	29,925

CITY OF GARY
 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
Department of Health and Human Services					
Public Health Emergency Preparedness Gary Health Department	Indiana Department of Health	93.069	NU90TP922052	-	12,455
Immunization Cooperative Agreements Childhood Immunization	Indiana Department of Health	93.268	H23IP000723	-	52,215
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) Northwest Indiana Health Department Health Cooperative Inc	Northwest Indiana Health Department Cooperative Inc	93.323	6NU50CK000503-01-05	-	113,344
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response Gary Health Department	Indiana Department of Health	93.354	NU90TP922179	-	5,036
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services Project Emerge	Indiana Criminal Justice Institute	93.671	2001INFVPS	-	29,541
HIV Care Formula Grants Gary Health Department Gary Health Department	Indiana Department of Health	93.917	X07HA31247 X08HA00033	-	125,943 94,814
Total - HIV Care Formula Grants				-	220,757
HIV Prevention Activities Health Department Based Integrated HIV Programs for health departments to Support Ending the HIV Epidemic in the United States	Indiana Department of Health	93.940	NU62PS924556	-	28,274
Sexually Transmitted Diseases (STD) Prevention and Control Grants Gary Health Department	Indiana Department of Health	93.977	NH25PS005191	-	145,152
Total - Department of Health and Human Services				-	606,774
Total federal awards expended				\$ 549,630	\$ 27,137,389

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

CITY OF GARY
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 GARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

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

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

Dollar threshold used to distinguish between Type A and Type B programs: \$814,122

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2023-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

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

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

Condition and Context

There were several deficiencies in the internal control system of the City related to financial transactions and reporting. There was a lack of segregation of duties as the City had not separated incompatible activities related to cash and investments, journal entries, receipts, disbursements, and reporting to ensure the accuracy and timeliness of the recordkeeping.

Furthermore, the City did not have a process to identify or communicate corrective actions to improve internal controls. Effective internal controls over financial reporting required the City to assess risk and communicate and monitor the quality of the system of internal controls.

Cash and Investments (Bank Reconciliations) - City

Reconcilements as of December 31, 2023, were mostly completed from January through May 2024. However, revised reconcilements had to be requested and provided in September 2024 to reflect the audit adjustments recorded in the 2023 records that the City approved as part of the previous year audit which concluded in August 2024.

The City has over 50 bank accounts with many complicated reconciling items, some dating back to 2018. As such, additional audit procedures were performed to test the December 31, 2023 reconcilements provided.

In reviewing the documentation provided, we noted the following items:

- The reconcilements contained amounts that were an accumulation of variances noted each month between posted transactions when compared to the bank activity without further research done.
- The December bank reconciliation contained 64 reconciling items related to 2023 receipt or deposit transactions. The possible effect on the financial statement of these items could have been a \$12,064,238 overstatement or \$12,849,751 understatement of receipts. The net effect was a \$785,513 understatement of receipts. The financial statement was not adjusted for these items.
- The December bank reconciliation contained 79 reconciling items related to 2023 disbursement transactions. The possible effect on the financial statement of these items could have been a \$2,820,023 overstatement or a \$2,969,117 understatement of disbursements. The net effect was a \$149,094 understatement of disbursements. The financial statement was not adjusted for these items.
- Some bank accounts owed amounts to other bank accounts, and these amounts should have been transferred and should net to zero. However, the "transfers to banks" did not reconcile to the "transfer from banks" by \$658,398 as of December 31, 2023. The financial statement was not adjusted for these variances.
- Outstanding check detailed listings generated from the software system were determined unreliable for the operating bank accounts. The listings included electronic fund transfers (EFTs) and checks that had cleared the bank.

A combined bank reconcilement of all bank accounts, including the Sanitary District, identified a net variance of \$728,450 as of December 31, 2023, when compared to the adjusted ledger and financial statement. The net variance included \$682,221 of undocumented reconciling items. The ledger and financial statement were not adjusted for these variances.

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

Cash and Investments (Bank Reconciliations) - Sanitary District

The Sanitary District had designed a review process over the bank reconciliations; however, the process was not consistently documented throughout the audit period.

The process, as designed, was that a consultant prepared the reconciliation and Sanitary District officials reviewed the reconciliation, documented by a signature, then uploaded the reconciliation to the Indiana Gateway for Government Units (Gateway) financial reporting system by the 15th of the second following month to comply with Gateway deadlines. However, for January through July, the bank reconciliations were uploaded as a batch on September 26, 2023, and, therefore, were not completed timely.

Additionally, the Sanitary District's 2023 bank reconciliations contained unidentified outstanding checks totaling \$110,289 and unidentified deposits in transit totaling \$138,555 for which the Sanitary District could not provide supporting documentation to verify the validity and accuracy of the items. The ledger and financial statement were not adjusted for these variances.

Journal Entries

The City did not have an effective system of internal controls to ensure that journal entries were posted accurately and timely. One employee and the City Controller made all journal entries; however, there was no review process in place to ensure journal entries were posted accurately and timely.

Receipts - City

The City had not designed and implemented a process of review over receipts, specifically state and local distributions, to ensure they were recorded timely. Various local distributions totaling \$139,675 and various state distributions totaling \$33,561 received in 2023 were not recorded in the ledger or reported in the financial statement. Distributions received from the State of Indiana from 2018 to 2023, totaling \$942,166, had not been posted by the end of 2023; of these distributions, all remained unposted as of November 2024. The financial statement was not adjusted for these distributions received and not timely posted.

Receipts - Sanitary District

The Sanitary District had designed a review process to ensure the accuracy, completeness, timeliness, and classification of the receipts posted as a part of the monthly bank reconciliation. However, documentation of the review process over the bank reconciliations, which included the review process for receipts, was not consistently documented throughout the audit period, as noted above under Cash and Investments (Bank Reconciliations) - Sanitary District.

Additionally, as of July 11, 2023, the Sanitary District had not posted any 2023 collection activity receipts to the Gary Storm Water Management District (GSWMD) fund or the GSD WWTP General Operating fund.

As of July 22, 2024, receipts totaling \$33,902,668 were posted to the GSD WWTP General Operating fund, and receipts totaling \$2,881,351 were posted to the GSWMD fund, which were back dated throughout 2023.

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

Payroll Disbursements

The City did not have internal controls in place to ensure the data from the outside payroll vendor was properly imported and posted into the City's financial system.

Financial Reporting

An Annual Financial Report (AFR) is required to be submitted annually in Gateway, which was the source for the financial statement. There was a review process in place to detect and correct errors prior to submission; however, it was determined to not be effective.

Due to the lack of internal controls over cash and investments, journal entries, receipts, and disbursements, the following adjustments were proposed, accepted by the City, and made to the financial statement and the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the City:

- The Withholdings fund receipts and disbursements were each overstated by \$12,119,360. The overstatements were due to the City converting from a three-digit fund number to a four-digit fund number as required.
- The City reported amounts that reflected the audit adjustments recorded in the 2023 records that the City approved as part of the previous year audit which concluded in August 2024. This resulted in the AMERICAN RESCUE PLAN, the Health and Human Services, the WCI/UCI Benefit, and the Rdlvp Aux Non-Reverting funds receipts and disbursements to be overstated by a total of \$3,635,065.

Criteria

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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

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

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment is the process used to identify and assess internal and external risks to the achievement of objectives, and then establish risk tolerances. Each identified risk is evaluated in terms of its impact and likelihood of occurrence. Overall, risk assessment is the basis for determining how risk will be managed. . . .

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

Management identifies risks to the achievement of the political subdivision's objectives across the unit as a whole and within each office or department. Analysis of risk through determination of objective measures and variance tolerance is the basis for determining how the risks should be managed. The response to risk is selected: acceptance, avoidance, reduction, or sharing.

...

Internal control is a process, and part of that process is the responsibility for management to be continually aware of changes, both external and internal, that could affect the achievement of the political subdivision's objectives. Those changes should be analyzed for both their immediate effect and for any future impact. Management would then determine any modifications needed in the internal control process to adapt to these changes."

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. Clear documentation should be maintained for continuity as well as ease of communication to outside parties."

"Relevant information from both internal and external sources is necessary to support the functioning of the other components of internal control. Communication is the continual process of providing, sharing, and obtaining necessary information. Internal communication enables personnel to receive a clear message that control responsibilities are taken seriously by the organization. External communication enables relevant outside information to be internalized and internal information to be clearly communicated to external parties."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1.

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

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Cause

The protracted time taken to perform monthly bank reconciliations caused continued delays in detecting and correcting errors timely to ensure all transactions pertaining to the City were recorded in the records. Internal controls had not been designed to ensure reconciliations of the accounting record balances to the bank depository balances were completed at least monthly, as required by state statute. Furthermore, a process was not in place to ensure a combined summary monthly bank reconciliation was prepared timely to ensure that individual bank reconciliations, including the Sanitary District, agreed to the ledger and financial statement balance.

A system of internal controls was not designed or properly implemented by management of the City over financial transactions and the AFR to ensure the accuracy, classification, presentation, and completeness of the financial statement. Financial transactions and errors were not timely detected or posted due to the change in fiscal officer and the inexperience of new staff.

The Common Council, as the oversight body, and management had not ensured compliance with the internal control policies and procedures adopted. Management had not conducted a risk assessment or communicated the information necessary to ensure the accuracy and completeness of the financial records. An evaluation or monitoring of the City's system of internal controls for effectiveness had not been conducted.

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements of the financial statement remained undetected. The financial statement included the errors identified in the *Condition and Context*. These misstatements, if uncorrected, could mislead end users of the financial statement.

The failure to assess risk, communicate, and monitor the internal control system placed the City at risk that internal controls may not be either designed properly or operating effectively to provide reasonable assurance that internal controls will prevent, or detect and correct, misstatements in a timely manner.

The magnitude of the internal control deficiencies and errors caused a significant delay to audit completion.

Views of Responsible Officials

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

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

FINDING 2023-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2022-002.

Condition and Context

The City had not established effective internal controls over the federal award information entered in the Annual Financial Report (AFR) via the Indiana Gateway for Government Units financial reporting system, which was the source of the City's Schedule of Expenditures of Federal Awards (SEFA).

The City did not properly review the federal grant information prepared and submitted in the AFR. Although the Grant Administrator compiled and entered the federal award information into the AFR and the City Controller reviewed and approved the information entered, the internal control was not effective and did not detect nor allow correction of errors prior to submission.

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

- The Highway Planning and Construction grant expenditures were overstated by \$1,581,115.
- Several grants had individually immaterial errors that resulted in misstatements of expenditures of \$1,695,485 in total.
- Other errors included amounts passed through to subrecipients and identifying numbers.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.1 states in part:

". . . *Internal controls* for non-Federal entities means:

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - (i) Effectiveness and efficiency of operations;
 - (ii) Reliability of reporting for internal and external use; . . ."

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

2 CFR 200.508 states in part:

"The auditee must: . . .

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section § 200.510 . . ."

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414."

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

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

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

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Cause

Management of the City had not established an effective system of internal controls that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition and Context*.

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2023-003

Subject: CDBG - Entitlement Grants Cluster - Internal Control

Federal Agency: Department of Housing and Urban Development

Federal Programs: Community Development Block Grants/Entitlement Grants; COVID-19 -
Community Development Block Grants/Entitlement Grants

Assistance Listings Number: 14.218

Federal Award Numbers and Years (or Other Identifying Numbers): B20MC180005; B21MC180005;
B22MC180005; B20MW180005

Compliance Requirement: Reporting

Audit Finding: Material Weakness

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

Condition and Context

Recipients are required to submit quarterly the CDBG Cash on Hand Quarterly report (PR29). The report is generated from information entered by the City into the HUD's Integrated Disbursement Information System (IDIS). Recipients are also required to submit annually a Section 3 Summary Report and Federal Funding Accountability and Transparency Act (FFATA) reports.

The City did not have internal control procedures in place over the PR29 quarterly reports, Section 3 Summary Report, and the FFATA Report. The reports were generated and submitted by one individual, without a review or oversight process to detect and correct errors prior to submission.

The lack of internal controls was isolated to the 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). . . ."

Cause

A proper system of internal controls was not designed or implemented by management of the City to ensure that policies and procedures were in place related to reporting to ensure the amounts reported were accurate.

Effect

Without the proper implementation of an effectively designed system of internal controls over reporting, the City cannot ensure that the reports submitted are materially accurate and correct.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the management of the City design and implement a proper system of internal controls, including a segregation of duties, to ensure the accuracy and correctness of the PR 29 reports, Section 3 Summary Report, and FFATA 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.



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City Controller

YVETTE WILLIAMS
Deputy Controller

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-001 and 2022-001

Fiscal year in which the finding initially occurred: 2018

Current Audit Period: 2023

Finding Subject: Financial Transactions and Reporting

Summary of Finding:

Material weaknesses/non-compliances in areas of cash and investments, Journal entries, receipts, disbursements, health and payroll disbursements, and financial reporting.

Status of Audit Finding: Not Corrected

Response Comments:

Cash and Investments: The City and GSD have completed the 2023 bank reconciliations and currently engaged in its 2023 audit. While we are working to complete the 2024 bank reconciliation's monthly, we are still working to get on schedule, given that we are having two audits this year. We believe that once we are back on schedule with audits, and able to resolve discrepancies in a timely manner, that we will provide more accurate information.

Gary Sanitary District Accounts Receivables:

It is the plan for Gary Sanitary District to submit a resolution to the Board to write-off old accounts receivable uncollectible amounts by December 31, 2024.

Journal Entries:

The Finance Dept maintains a JE entry form where either the Controller or Deputy Controller will prepare/initiate a JE with documentation, and the other will approve and/or enter the Journal Entry (JE). The forms and documentation are then filed by a Sr. Accountant for audit. This form is currently being used.

Receipts for City and GSD:

The city is in the process of creating a procedure in the receipting process where we are able to compare the deposits in the bank account for the month against the deposits in the financial system in a one step process, prior to bank reconciliation completion.

Disbursements:

Since the security breach in February 2023, GSD has successfully rebuilt its IT infrastructure with significant safeguards. GSD now has the ability to retrieve or retain any email communications that may contain historical records, ensuring full protection and availability of email communications.

Health Insurance and Payroll Disbursements:

As part of the payroll process, the City is still using the outside vendor to process its payroll and manually making corrections identified in the upload process to the financial system. It is estimated the conversion from outside payroll processing back to the automatic internal payroll processing will be completed by January 1, 2025, which will provide eliminate the discrepancies between expenses and payroll wire transfers to the payroll fund, due to manual corrections. Additionally, payroll transmittals were re-established in 2023, requiring documentation from department heads to certify the departmental payroll.

Financial Reporting:

The Form that was developed indicated the preparer, reviewer, or approval for entering information in the Gateway Annual Report is currently being used, and available for the 2023 audit. As of October 2024, the City has contracted financial advisory services with a firm that will assist us in using better tools to assure that information entered is accurate and timely.

GSD has reviewed its process for recording accounts receivables in the General Ledger, and made the Correction in the annual report for 2023.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-002 and 2022-002

Fiscal year in which the finding initially occurred: 2017

Current Audit Period: 2023

Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

Summary of Finding:

Material weaknesses/non-compliances the SEFA reporting in the gateway financial reporting system.

Status of Audit Finding: Not Corrected

Response Comments:

While improvements have been made in the reporting of the SEFA, we realize that we need to make additional improvements to perfect the report. The financial advisory firm that was hired October 2024, has been hired to assist the city with correcting policies and procedures that relate to Financial reporting, including the SEFA.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2022-003

Fiscal year in which the finding initially occurred: 2022

Current Audit Period: 2023

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

Costs/Cost Principles

Summary of Finding:

Material weaknesses/non-compliance with the COVID-19 - Coronavirus State and Local Fiscal Recovery Funds – Allowable Costs/Cost Principles compliance requirement

Status of Audit Finding: Fully Corrected

Response Comments:

Corrective action was taken.



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City Controller

YVETTE WILLIAMS
Deputy Controller

CORRECTIVE ACTION PLAN

FINDING 2023-001

Contact Person Responsible for Corrective Action: M. Celita Green-City, Jerome Foster-GSD
Contact Phone Number: 219-881-1363

View of Responsible Officials: We Concur

Description of Corrective Action:

Cash and Investments- (Bank Reconciliations) City:

The city completed the 2023 bank reconciliations for the 2023 audit. While we are working to complete the 2024 bank reconciliation's monthly, we are still working to complete them by the 15th day of the following month and uploading to Gateway timely. Given that we have had two audits this year (less 60 days apart), we have not been able to reach this goal yet. We believe that once we are back on schedule with audits, and able to resolve discrepancies in a timely manner, that we will provide more accurate information, and reach our goal of timely completion.

Receipts and Disbursements for City:

From 2023 to 2024, the city has completed 3 (2021, 2022, and 2023-financials) audits in 18 months, and has made it a priority to complete bank reconciliations, for which some had not been completed since 2018. The focus has been on using all available time in completing the bank reconciliations in order to be audited, so very little time was left to post items prior to audit. We look forward to being able to now focus on catching up in posting reconciling items.

The options for printing checks from the software includes EFT's, Direct Deposits, or regular checks. We will review the procedure that is being used to generate the outstanding detail check listings, and discuss any selection and printing issues with the software programmers. (See print view below)

```

* *   Print Checks/EFT's/DD's   * *

Optionally, enter one (1) bank to be printed: ALL (Blank=All Bank
Indicate the desired sort sequence: B (B=Bank, V=Vendor)
How should Electronic Transfers be processed: E (E=Excl/I=Incl/O=0
How should Direct Deposits be processed: E (E=Excl/I=Incl/O=0
Create Excel File (XLCK1103)?: N (Y=Yes, N=No)

Specify the status to be printed:
      VOI
      'ALL' for All
      'ISS' for Issued Only (Computer/Manual/JE/Xf
      'CAN' for Cancelled Only
      'VOI' for Voided Only
      'STA' for Stale Dated Only
      'OUT' for Outstanding Only

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CR/EFT/DD Reports/Recon Menu

City of Gary

Tuesday 11/19/24

Individual Reconciliation ..... F1
Group Reconciliation ..... F2
Print Cks/EFT/DD by Date * .... F3
Print Cks/EFT/DD by Number * .. F4

Display/Update Chk/EFT/DD ..... F5   Unreconcile Cks/EFT/DD ..... F18
                                           Mass Chg Reconciliation Date .. F19

Automatic Recon from Bank ..... F7
Check Master DBMS ..... F8         Print Archived Ck/DD/EFT's .... F21

Delete Checks/EFT's/DD's ..... F9

                                           Help with Stale Dated Checks .. F23
                                           Help for Chk/DD/EFT Voids ..... F24

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Cash and Investments--(Bank Reconciliations) GSD:

Consultants, the city, and GSD officials will work together more closely with oversight process documentation, and timely completion and uploads in to Gateway.

Journal Entries:

The Finance Department has contracted with a financial advisory consultant to assist in the developing a more efficient process that addresses timeliness and accuracy in posting and filing of journal entries.

Receipts for GSD:

Gary Sanitary District, along with the City will be working with the financial advisor contracted to assist us in redefining our processes for more efficiency and timeliness.

Payroll Disbursements:

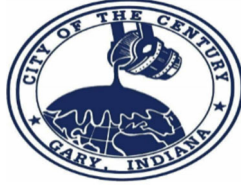
As part of the payroll process, the city is still using the outside vendor to process its payroll and manually making corrections identified in the upload process to the financial system. It is estimate the conversion from outside payroll processing. back to the automatic internal payroll processing will be completed by January 1, 2025, which will eliminate the discrepancies between expenses and payroll wire transfers to the payroll fund, due to manual corrections.

Financial Reporting:

The import from outside payroll processing company to the city's financial system resulted in withholdings being imported into the old fund number, as well as the SBOA required new Fund Number. The correction was made in the city's financial system, but not on the financial report. This was due to insufficient time to adequately review the reconciliation. The correction has since been made. The withholding receipts and disbursements were reported in the Other Taxes line item and Personal Services line items for several years and recently noted in the current 2023 audit. While the line items were different, the totals were correct. The city will change the account line items used in the 2024 reporting year.

The posting of 2021 items in 2022, and 2022 items in 2023 were challenging for the city when reconciling the AFR to the financial system. This is not the normal process and only occurred, because of the delay of the city completing the 2021 audit, which affected the following years. We expect that this issue will not exist in the future, as it was not necessary to record any 2023 adjustments in 2024, since the city is now up-to-date on the financial reporting.

Anticipated Completion Date: November 2025



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CORRECTIVE ACTION PLAN

FINDING 2023-002

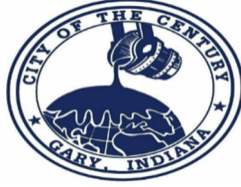
Contact Person Responsible for Corrective Action: M. Celita Green
Contact Phone Number: 219-881-1363

View of Responsible Officials: We Concur

Description of Corrective Action:

While improvements have been made in the reporting of the SEFA, we realize that we need to make additional improvements to perfect the report. A financial advisory firm has been hired to assist the city with establishing better policies and procedures that relate to financial reporting, including the SEFA. Additionally, the Grant Administrator will be receiving training in areas where we are experiencing repeat errors, and improve accuracy in reporting. Adjustments in the financial report were made as recommended from the audit.

Anticipated Completion Date: November 2025



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CORRECTIVE ACTION PLAN

FINDING 2023-003

Contact Person Responsible for Corrective Action: Ragen Hatcher
Contact Phone Number: 219-881-5085

View of Responsible Officials: We Concur

Description of Corrective Action:

The City will work with the department to develop a review process for the PR29 quarterly reports, Section 2 Summary Reports, and FFATA report prior to submission to address internal control concerns.

Anticipated Completion Date: November 2025

OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.