

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF TERRE HAUTE

VIGO COUNTY, INDIANA

January 1, 2018 to December 31, 2018



**FILED**  
01/03/2020



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Leslie A. Ellis	01-01-18 to 12-31-19
Mayor	Duke A. Bennett	01-01-18 to 12-31-19
President of the Board of Public Works	Jonathon Stinson	01-01-18 to 12-31-19
President of the Common Council	Curtis DeBaun, IV Martha Crossen	01-01-18 to 12-31-18 01-01-19 to 12-31-19
Wastewater Utility Director	Debra Padgett	01-01-18 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

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 TERRE HAUTE, VIGO 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 Terre Haute (City), for the year ended December 31, 2018, and the related notes to the financial statement, which collectively comprise the City's financial statement and have issued our report thereon dated December 17, 2019, 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.

***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) to determine the 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, described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-002, 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)

***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*.

***City of Terre Haute's Response to Findings***

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.

  
Paul D. Joyce, CPA  
State Examiner

December 17, 2019



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 TERRE HAUTE, VIGO COUNTY, INDIANA

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

We have audited the City of Terre Haute'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, 2018. 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.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Basis for Qualified Opinion on Federal Transit Cluster***

As described in item 2018-003 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding Procurement and Suspension and Debarment that are applicable to its Federal Transit Cluster. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

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

***Qualified Opinion on Federal Transit Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Federal Transit Cluster* paragraph, 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 Federal Transit Cluster for the year ended December 31, 2018.

***Other Matters***

The City's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2018-003 and 2018-004, that we consider to be material weaknesses.

The City's response to the internal control over compliance 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.

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, 2018, and the related notes to the financial statement. We issued our report thereon dated December 17, 2019, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted 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.

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

December 17, 2019

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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 TERRE HAUTE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2018

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA 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 2016 Grant FY 2017 CDBG Development Block Grant 2018	Direct Grant	14.218	B-16-MC-18-0012 B-17-MC-18-0012 B-18-MC-18-0012	\$ - - -	\$ 72,001 866,595 87,632
Total - CDBG - Entitlement Grants Cluster				-	1,026,228
Home Investment Partnerships Program					
2016 Grant FY 2017	Direct Grant	14.239	M-16-MC-18-0211 M-17-MC-18-0211	- -	35,000 13,328
Total - Home Investment Partnerships Program				-	48,328
Total - Department of Housing and Urban Development				-	1,074,556
<u>Department of Justice</u>					
Equitable Sharing Program Equitable Sharing	Direct Grant	16.922	IN0840100	-	6,681
Total - Department of Justice				-	6,681
<u>Department of Transportation</u>					
Federal Transit Cluster					
Federal Transit Formula Grants Terre Haute Transit Operating Grant Terre Haute Transit Capital Grant Terre Haute Transit-Operating Grant Terre Haute Transit-Operating Grant Terre Haute Transit - Capital Grant	Direct Grant	20.507	IN-2017-005-01 IN-2017-022-02 IN-2017-022-01 IN-2018-007-01 IN-2018-007-02	- - - - -	155,555 72,587 408,680 1,005,699 148,888
Total - Federal Transit Cluster				-	1,791,409
Highway Planning and Construction Cluster					
Highway Planning and Construction Margaret Avenue 14th Street to 25th Street Lafayette Ave From Fort Harrison Road to Haythorn Ave Phase 2 Lafayette Ave From Fort Harrison Road to Haythorn Ave Phase 1	Indiana Department of Transportation	20.205	DES 1298689 DES 500975 DES 6361592	- - -	339,022 154,184 143,386
Total - Highway Planning and Construction Cluster				-	636,592
Highway Safety Cluster					
State and Community Highway Safety Operation Pullover	Direct Grant	20.600	9204020IN16	-	29,314
Total - Highway Safety Cluster				-	29,314
Total - Department of Transportation				-	2,457,315
<u>Department of Homeland Security</u>					
Staffing for Adequate Fire and Emergency Response (SAFER) Fire Safer Grant 2017	Direct Grant	97.083	EMW-2015-FH-00414	-	839,665
Total - Department of Homeland Security				-	839,665
Total federal awards expended				\$ -	\$ 4,378,217

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

CITY OF TERRE HAUTE  
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, 2018. 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 TERRE HAUTE  
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?	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:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Federal Transit Cluster	Qualified

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

Auditee qualified as low-risk auditee?	no
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**Section II - Financial Statement Findings**

**FINDING 2018-001**

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-001.

CITY OF TERRE HAUTE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition and Context*

There were deficiencies in the internal control system of the City related to financial transactions and reporting. The City prepared and submitted its financial information online through the Indiana Gateway for Government Units (Gateway) financial reporting system. The financial statement was compiled from the Annual Financial Report information provided on the Gateway system. The City did not have adequate controls in place to ensure that the reported financial information was accurate. The lack of internal controls was a systemic issue throughout the audit period.

*Criteria*

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

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

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

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

*Cause*

Management of the City had not established a proper system of internal control over financial transactions and reporting.

*Effect*

The failure to establish a system of internal controls could have enabled material misstatements or irregularities to remain undetected.

*Views of Responsible Officials*

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

**FINDING 2018-002**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Finding: Material Weakness

CITY OF TERRE HAUTE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition and Context*

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). One employee prepared the SEFA without a system of oversight or review to detect and correct errors.

*Criteria*

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

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

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

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

*Cause*

The City's management had not established a system of internal control that would ensure proper reporting of the SEFA.

*Effect*

Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

*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 2018-003**

Subject: Federal Transit Cluster - Procurement

Federal Agency: Department of Transportation

Federal Program: Federal Transit Formula Grants

CFDA Number: 20.507

Federal Award Numbers and Years (or Other Identifying Numbers): IN-2017-005-01, IN-2017-022-02,  
IN-2017-022-01, IN-2018-007-01,  
IN-2018-007-02

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

CITY OF TERRE HAUTE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition and Context*

An effective internal control system was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The City did not obtain price or rate quotes for purchases of goods or services exceeding \$3,500 from an adequate number of sources, which fell under the small purchase procedures. Additionally, the City did not document the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Small purchase procedures were applicable to over 90 percent of the dollar value of the total procurement of goods and services during the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.318(i) states:

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

2 CFR 200.320 states in part:

"The non-Federal Entity must use one of the following methods of procurement.

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. . . ."

*Cause*

The City's management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

CITY OF TERRE HAUTE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement could have resulted in the loss of federal funds to the City.

*Questioned Costs*

There were no questioned costs identified.

*Views of Responsible Officials*

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

**FINDING 2018-004**

Subject: Federal Transit Cluster - Reporting  
Federal Agency: Department of Transportation  
Federal Program: Federal Transit Formula Grants  
CFDA Number: 20.507

Federal Award Numbers and Years (or Other Identifying Numbers): IN-2017-005-01, IN-2017-022-01,  
IN-2017-022-02, IN-2018-007-01,  
IN-2018-007-02

Compliance Requirement: Reporting  
Audit Finding: Material Weakness

*Condition and Context*

An effective internal control system was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The City relied on one employee to prepare and submit the quarterly and annual federal financial reports without oversight or review.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

CITY OF TERRE HAUTE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

The City's management had not developed a system of internal controls to ensure compliance with the grant agreement and the Reporting compliance requirement.

*Effect*

The failure to establish an effective system of internal control placed the City at risk of noncompliance with the grant agreement and the Reporting compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Views of Responsible Officials*

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

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#### AUDITEE-PREPARED DOCUMENTS

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**CITY OF  
TERRE HAUTE  
OFFICE OF THE  
CITY CONTROLLER**

***FINDING 2017-001***

City Hall  
17 Harding Avenue  
Terre Haute, IN 47807  
Phone: 812.232.9611  
Fax: 812.232.7339

[www.terrehaute.IN.gov](http://www.terrehaute.IN.gov)

Fiscal year in which the finding initially occurred: 2016  
Contact Person Responsible for Corrective Action: Controller Leslie Ellis  
Contact Phone Number: 812-244-2363

**LESLIE ELLIS**  
*City Controller*

Status of Audit Finding: Efforts are in place to continue the corrective action plan. The City Council has approved funding for the additional staff that is needed in the Controller's office. We plan to hire these positions in January and complete the plan.

CORRECTIVE ACTION PLAN

**CITY OF  
TERRE HAUTE  
OFFICE OF THE  
CITY  
CONTROLLER**

City Hall  
17 Harding Avenue  
Room 205  
Terre Haute, IN 47807

Phone: 812.244.2363  
Fax: 812.244.2365  
[www.terrehaute.IN.gov](http://www.terrehaute.IN.gov)

**LESLIE ELLIS**  
*City Controller*

**FINDING 2018-001**

Contact Person Responsible for Corrective Action: Leslie Ellis

Contact Phone Number: 812-244-2363

Views of Responsible Official:

The Controller's office reconciles year end information and prepares many state, federal, and internal financial reports. After the year is closed, all financial information is balanced and then entered into the State's Gateway website. In the past, there have been keying errors and subsequent information that was discovered after the Annual Financial Report (AFR) was submitted. This has caused erroneous data entry into Gateway. The system was then reopened and the information was updated. We concur with the finding regarding internal controls for the AFR reporting process. The city switched to an outside payroll processor on January 1, 2018. This conversion took about four to five months to reconcile the imported data which slowed our financial reporting activities. Also during 2018 a new financial software system was installed. The first data conversion process failed due to vendor error. The Controller's office tried to reconcile the information for eight months before the problem was found and another complete financial conversion had to be completed. Three separate financial data conversions plus the departure of three employees put us behind in many of our daily duties as well as reporting for both 2018 and 2019. We are in the process of interviewing and hiring new employees and plan to have them start in January 2020.

Description of Corrective Action Plan:

We have set up a new system to track monthly bank reconciliations and balance to each individual fund. Several funds have more than one bank account and vice versa. This will allow adjustments to be made sooner as well as improve year end accuracy for financial reporting. The new employees will also add to our accuracy and efficiency. We previously thought that reviewing all data entered Gateway and then signing and dating the submission was considered review documentation. We now understand the correct documentation that is required and we will provide it.

Anticipated Completion Date: April 2020

CORRECTIVE ACTION PLAN

**CITY OF  
TERRE HAUTE  
OFFICE OF THE  
CITY  
CONTROLLER**

City Hall  
17 Harding Avenue  
Room 205  
Terre Haute, IN 47807

Phone: 812.244.2363  
Fax: 812.244.2365  
[www.terrehaute.IN.gov](http://www.terrehaute.IN.gov)

**LESLIE ELLIS**  
*City Controller*

***FINDING 2018-002***

Contact Person Responsible for Corrective Action: Leslie Ellis

Contact Phone Number: 812-244-2363

Views of Responsible Official:

The City was short staffed as well as undergoing two data conversions during the year end close and the compilation of financial statements. We concur with the above finding.

Description of Corrective Action Plan:

The Controller's office has three vacancies for which we are currently interviewing. The new hires should be in place in January 2020. We have also implemented a new data verification system that will be performed monthly. This will ensure more efficient and accurate reporting in the future.

Anticipated Completion Date: April 2020

City of Terre Haute Transit Department  
901 South 14<sup>th</sup> Street  
Terre Haute IN 47807  
812-235-0109

## CORRECTIVE ACTION PLAN

### ***FINDING 2018-003***

Contact Person Responsible for Corrective Action: Debbie Hensley

Contact Phone Number: 812-235-0109

Views of Responsible Official: We concur with the finding, December 17, 2019

Description of Corrective Action Plan:

For internal controls regarding small purchases of goods or services exceeding \$3,500, price or rate quotations will be obtained from at least three qualified sources and submitted to the department head for approval before purchase. All purchases will have documentation on paper attached to the invoice or notes on the purchase order explaining the rationale for the method of procurement

Anticipated Completion Date: January 02, 2020

City of Terre Haute Transit Department  
901 South 14<sup>th</sup> Street  
Terre Haute IN 47807  
812-235-0109

## CORRECTIVE ACTION PLAN

### ***FINDING 2018-004***

Contact Person Responsible for Corrective Action: Debbie Hensley

Contact Phone Number: 812-235-0109

Views of Responsible Official: We concur with the finding, December 17, 2019

#### Description of Corrective Action Plan:

For an internal control regarding the Federal award, the transportation director will be responsible for submitting the annual Federal Financial Report, the office manager will be responsible for reviewing the Federal Financial Report against the quarterly drawdowns for oversights, sign off, and file before the Federal Financial Report is submitted in the TrAms system by the transportation director.

Anticipated Completion Date: January 02, 2020

#### 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/>.