

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF HOBART

LAKE COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
07/13/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Deborah Longer	01-01-19 to 12-31-20
Mayor	Brian Snedecor	01-01-19 to 12-31-20
President of the Board of Public Works and Safety	Brian Snedecor	01-01-19 to 12-31-20
President Pro Tempore of the Common Council	Matthew Claussen	01-01-19 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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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 HOBART, LAKE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the City of Hobart (City), for the year ended December 31, 2019, and the related notes to the financial statement, which collectively comprise the City's financial statement and have issued our report thereon dated May 28, 2020, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

May 28, 2020



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 HOBART, LAKE COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the City of Hobart's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2019. 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.

Opinion on the Major Federal Program

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

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2019, and the related notes to the financial statement. We issued our report thereon dated May 28, 2020, 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, CPA
State Examiner

May 28, 2020

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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 HOBART
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2019

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	Pass Through To Subrecipient	Total Federal Awards Expended
<u>Department of Commerce</u>					
Coastal Zone Management Administration Awards Water Festival 2019	Indiana Department of Natural Resources	11.419	CZ 543SG	\$ -	\$ 884
Total - Department of Commerce				-	884
<u>Department of Justice</u>					
Edward Byrne Memorial Justice Assistance Grant Program JAG Grant JAG Grant Radios	Indiana Criminal Justice Institute	16.738	D3-19-12497 JAG-2019-00086	-	102,344 45,951
Total - Edward Byrne Memorial Justice Assistance Program				-	148,295
Crime Victim Assistance #7138 SERV VOCA	Indiana Criminal Justice Institute	16.575	2017-VA-GX-0004	-	46,249
Violence Against Women Formula Grants SERV System to End Repeated Violence	Indiana Criminal Justice Institute	16.588	EDS: D3-18-12210	-	84,890
Bulletproof Vest Partnership Program Bullet Proof Vests	Direct Grant	16.607	OMB1121-0235	-	6,250
Public Safety Partnership and Community Policing Grants COPS Hiring Program	Direct Grant	16.710	2016UMWX0145	-	41,667
Equitable Sharing Program Seizures	Direct Grant	16.922	FY2019	-	501,209
Total - Department of Justice				-	828,560
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction Safe Routes to Schools CNG Alternative Fuel Purchase Deep River Stormwater Outfall Streetscape: 3rd St. 61st Avenue Colorado St. Safety Improvement Sign Modernization LPA Equipment Procurement Diesel Retrofit	Indiana Department of Transportation	20.205	A249-16-L150188 A249-17-L170017 DES# 1592275 Des#0810541 Des#0900071 EDS: A249-15-320102 EDS: A249-15-320103 EDS: A249-17-L170014	- - - - - - - -	55,778 6,312 70,174 403,490 649,134 1,394 21,391 153,222
Total - Highway Planning and Construction				-	1,360,895
Total - Highway Planning and Construction Cluster				-	1,360,895

CITY OF HOBART
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2019

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	Pass Through To Subrecipient	Total Federal Awards Expended
Highway Safety Cluster					
State and Community Highway Safety	Indiana Criminal Justice Institute	20.600			
SAVE Stop Arm Violation Enforcement			36392	-	9,899
OPO Highway Traffic/ National Priority Safety Programs Safety			OPO-2019-00025	-	<u>184,204</u>
Total - State and Community Highway Safety				-	<u>194,103</u>
Total - Highway Safety Cluster				-	<u>194,103</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	Indiana Criminal Justice Institute	20.608			
DUI Highway Traffic Safety / Alcohol Impaired Driving Countermeasures Incentive Grant			DUI-2019-00011	-	<u>201,661</u>
Total - Department of Transportation				-	<u>1,756,659</u>
<u>Environmental Protection Agency</u>					
State Clean Diesel Grant Program	Indiana Department of Environmental Management	66.040			
2019 DieselWise Indiana Clean Diesel			33808	-	<u>30,664</u>
Great Lakes Program	Northwestern Indiana Regional Planning Commission	66.469			
City Hall Green Infrastructure			A305-3-125	-	112,191
4th Place Ravine Stabilization #1			IDEM 319U	-	29,140
4th Place Ravine Stabilization #2			IDEM 319U	-	<u>11,604</u>
Total - Great Lakes Program				-	<u>152,935</u>
Total - Environmental Protection Agency				-	<u>183,599</u>
<u>Department of Homeland Security</u>					
Staffing for Adequate Fire and Emergency Response (SAFER)	Direct Grant	97.083			
SAFER / Assistance to Firefighters			EMW-2017-FH-00501	-	<u>173,143</u>
Total - Department of Homeland Security				-	<u>173,143</u>
Total federal awards expended				<u>\$ -</u>	<u>\$ 2,942,845</u>

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

CITY OF HOBART
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2019. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no

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>
Highway Planning and Construction Cluster	Unmodified

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

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

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

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AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the City. The document is presented as intended by the City.



"The Friendly City"

The City of Hobart

414 Main Street · Hobart, Indiana 46342

Deborah A. Longer
Clerk-Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-001

Fiscal year in which the finding initially occurred: 2018

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Justice

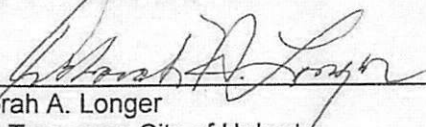
Contact Person Responsible for Corrective Action: Deborah A. Longer, Clerk-Treasurer

Contact Phone Number: 219-942-1940

Status of Audit Finding:

As described in the Corrective Action Plan issued on April 23, 2019 regarding the Police Seizure Fund, the Police Chief and Clerk-Treasurer worked together to create a fund for the Department of Justice funds received, separate from the Department of Treasury Funds. The Police Department and Clerk-Treasurer reviewed the past reports of all Department of Justice funds previously received and expended and moved the balance of the funds specifically pertaining to the Department of Justice into the new fund on April 18, 2019. These funds are no longer commingled and are now tracked in both revenue and expenditures for each respective program and properly receipted and disbursed.

Subsequently, the Department of Justice followed up with correspondence on December 11, 2019 requesting an update and recommended DOJ Grants Financial Management Training for both the Police Chief and the Clerk-Treasurer. The training was completed by the Police Chief on December 12, 2019 and by the Clerk-Treasurer on December 17, 2019 and the Certificates of Completion and related Corrective Action Plan was forwarded to the Department of Justice on December 23, 2019. In January, 2020, after review of the separated funds, the DOJ requested an amendment which was completed in accordance with their guidelines. On January 21, 2020 the DOJ provided a notice all information had "been received, reviewed, and accepted" and that our "agency's status was now compliant".


Deborah A. Longer
Clerk-Treasurer, City of Hobart
April 14, 2020

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see 2 CFR §200.511(b).)



"The Friendly City"

The City of Hobart

414 Main Street • Hobart, Indiana 46342

Deborah A. Longer
Clerk-Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-002

Fiscal year in which the finding initially occurred: 2017

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Transportation

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

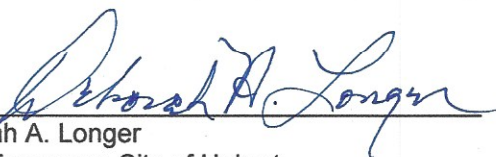
Contact Phone Number: 219-942-1940

Status of Audit Finding:

As described in the Corrective Action Plan issued on April 23, 2019, the Employee in Responsible Charge (ERC) is required to provide all paperwork related to Federal and Local Grant Awards to the Clerk-Treasurer in accordance with the City of Hobart Internal Control Policy, specifically documentation as to the Period of Performance for each award. As of the date of issue of the Corrective Action Plan, current active grant files have the Period of Performance dates provided and noted by the ERC's in compliance with the Internal Control Policy.

Subsequently, the Indiana Department of Transportation followed up with a review of the Corrective Action Plan and implementation and on August 12, 2019 issued a letter of concurrence with the finding by the Auditor and with the "City of Hobart's corrective actions that have been implemented." Further, the letter states that "INDOT will continue to perform reviews of future A-133 audits to ensure continued compliance with the referenced CFR." On October 30, 2019, the Indiana State Board of Accounts provided a notice stating as follows:

"We have reviewed your documentation for the corrective action plan 2018-002 Highway Planning and Construction -- Period of Performance and based on our limited review, the plan has been implemented and the finding corrected."


Deborah A. Longer
Clerk-Treasurer, City of Hobart
April 14, 2020

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see 2 CFR §200.511(b).)

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/>.