

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF GOSHEN

ELKHART COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
09/01/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Angela McKee Adam Scharf	01-01-19 to 12-31-19 01-01-20 to 12-31-20
Mayor	Jeremy P. Stutsman	01-01-19 to 12-31-20
President of the Board of Public Works	Jeremy P. Stutsman	01-01-19 to 12-31-20
President of the Common Council	Brett Weddell	01-01-19 to 12-31-20



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 GOSHEN, ELKHART 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 Goshen (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 July 23, 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 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 2019-001 and 2019-002, 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 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 item 2019-002.

City of Goshen'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

July 23, 2020



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 GOSHEN, ELKHART COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the City of Goshen'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, 2019. 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.

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 each of the City's major federal programs 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 each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on the Assistance to Firefighters Grant

As described in items 2019-004 and 2019-007 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding Equipment and Real Property Management and Subrecipient Monitoring that are applicable to its Assistance to Firefighters Grant. 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 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)

Qualified Opinion on the Assistance to Firefighters Grant

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Assistance to Firefighters Grant* 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 the Assistance to Firefighters Grant for the year ended December 31, 2019.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-003 and 2019-006. Our opinion on each major federal program is not modified with respect to these 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each 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.

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)


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 2019-003, 2019-004, 2019-005, 2019-006, and 2019-007, 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.

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 July 23, 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

July 23, 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.

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CITY OF GOSHEN
 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	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Housing and Urban Development</u>					
CDBG - Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grants	Direct Grant	14.218			
CDBG/HUD FUND			B-18-MC-18-0019	\$ 52,744	\$ 64,293
CDBG/HUD FUND			B-19-MC-18-0019	12,896	12,963
Total - Community Development Block Grants/Entitlement Grants				<u>65,640</u>	<u>77,256</u>
Total - CDBG - Entitlement Grants Cluster				<u>65,640</u>	<u>77,256</u>
Total - Department of Housing and Urban Development				<u>65,640</u>	<u>77,256</u>
<u>Department of Justice</u>					
Bulletproof Vest Partnership Program	Direct Grant	16.607			
POLICE VESTS			FY 2019	-	4,594
Special Data Collections and Statistical Studies	Direct Grant	16.734			
PD NCS-X Implementation			2017-FU-CX-6042	-	266,106
Total - Department of Justice				<u>-</u>	<u>270,700</u>
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
Highway Planning and Construction			DES 1382811	-	116,280
Highway Planning and Construction			DES 1400713	-	229,231
Highway Planning and Construction			DES 1400715	-	18,040
Highway Planning and Construction			DES 1400995	-	75,020
Highway Planning and Construction			DES 1401747	-	125,043
Total - Highway Planning and Construction				<u>-</u>	<u>563,614</u>
Total - Highway Planning and Construction Cluster				<u>-</u>	<u>563,614</u>
Airport Improvement Program	Direct Grant	20.106			
AIRPORT RUNWAY GRANT			3-18-0029-09-PP9	-	86,028
Total - Department of Transportation				<u>-</u>	<u>649,642</u>
<u>Department of Homeland Security</u>					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Indiana Department of Homeland Security	97.036			
2018 Public Assistance Disaster Declaration Grant			DN4363	-	82,402
Assistance to Firefighters Grant	Direct Grant	97.044			
Self Contained Breathing Apparatus			EMW-2017-FR-00234	471,601	703,882
Total - Department of Homeland Security				<u>471,601</u>	<u>786,284</u>
Total federal awards expended				<u>\$ 537,241</u>	<u>\$ 1,783,882</u>

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

CITY OF GOSHEN
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 GOSHEN
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:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
97.044	Highway Planning and Construction Cluster Assistance to Firefighters Grant	Unmodified 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 2019-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2018-001.

Condition and Context

There were several deficiencies in the internal control system of the City related to financial transactions and reporting.

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

Financial Close and Reporting

The Deputy Clerk-Treasurer compiled financial data required for City consultants to prepare the Annual Financial Report (AFR) through the Indiana Gateway for Government Units (Gateway) financial reporting system, which is the source of the financial statement. While there was supporting documentation presented over the AFR, there was no documented evidence of a review or approval process prior to the Clerk-Treasurer submitting the AFR through Gateway to ensure the accuracy of the information submitted.

Payroll Disbursements

The City used a service organization to process payroll. The City had not separated incompatible activities for reporting hours worked to the service organization from approved timesheets. The Payroll Clerk input hours worked to the service organization from the approved timesheets and verified inputted hours were correct from service organization reports. There was no evidence of an oversight, review, or approval process of inputted hours worked separate from the Payroll Clerk.

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

Cause

Management of the City had not established an effective system of internal controls that segregated key functions.

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

Effect

The failure to establish a system of internal controls placed the City at risk that material misstatements or irregularities 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.

FINDING 2019-002

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. The prior audit finding number was 2018-002.

Condition and Context

The City had not established an effective system of internal controls over the federal award information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the Schedule of Expenditures of Federal Awards (SEFA).

The SEFA presented for audit contained the following errors:

1. The amount passed through to subrecipients was incorrectly reported for the Community Development Block Grants/Entitlement Grants, which resulted in an overstatement of \$11,616.
2. The Airport Improvement Program expenditures were overstated by \$2,122.
3. The Highway Planning and Construction Cluster expenditures were understated by \$9,584.
4. The Disaster Grants - Public Assistance (Presidentially Declared Disasters) was omitted from the SEFA.
5. The Assistance to Firefighters Grant expenditures were overstated by \$70,388, and the amount passed through to subrecipients was omitted from the SEFA, which resulted in an understatement of \$471,601.
6. The pass-through entity was not reported correctly for one grant.
7. The program names for three grants were incorrectly reported.

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

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

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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 § 200.510 Financial statements. . . ."

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 Basis for determining Federal awards expended. 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.

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

- (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 CFDA number or other identifying number when the CFDA 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 Basis for determining Federal awards expended, paragraph (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 Indirect (F&A) costs."

Cause

The City's management had not established a 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 2019-003

Subject: Assistance to Firefighters Grant - Cash Management
Federal Agency: Department of Homeland Security
Federal Program: Assistance to Firefighters Grant
CFDA Number: 97.044
Federal Award Number and Year (or Other Identifying Number): EMW-2017-FR-00234
Pass-Through Entity: Direct Grant
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

CITY OF GOSHEN
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 Cash Management compliance requirement. The Battalion Chief was solely responsible for submitting reimbursement requests, ensuring costs were incurred prior to reimbursement, and ensuring that vendors were paid timely once reimbursement is received. A payment to one vendor was not paid until 57 days after reimbursement was received.

The lack of internal controls was a systemic issue throughout the audit period; the noncompliance was limited to the expenditure noted above.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.305(b) states in part:

"For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuances or redemption of checks, warrants, or payment by other means. . . ."

Cause

The City's management had not developed a system of internal controls that would have ensured compliance with the compliance requirement listed above.

Effect

The failure to establish an effective internal control system placed the City in noncompliance with the grant agreement and the compliance requirement listed above.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish a system of internal controls, including segregation of duties, to ensure compliance with the grant agreement and the compliance requirement listed above.

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

Views of Responsible Officials

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

FINDING 2019-004

Subject: Assistance to Firefighters Grant - Equipment
Federal Agency: Department of Homeland Security
Federal Program: Assistance to Firefighters Grant
CFDA Number: 97.044
Federal Award Number and Year (or Other Identifying Number): EMW-2017-FR-00234
Pass-Through Entity: Direct Grant
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

The City had not established an internal control system to ensure property records were properly maintained and that a physical inventory was conducted at least once every two years. Equipment purchased with grant funds was not added to the City's capital asset listing records and a physical inventory had not been conducted as required. All expenditures of the grant were for equipment purchases.

The lack of internal controls and noncompliance were systemic issues throughout 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 200.313(d) states:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

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

- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the nonfederal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

Cause

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

Effect

The failure to establish an effective internal control system placed the City in noncompliance with the grant agreement and the compliance requirement listed above.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish a system of internal controls, including segregation of duties, related to the grant agreement and to comply with the Equipment and Real Property Management compliance requirement. An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

Views of Responsible Officials

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

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

FINDING 2019-005

Subject: Assistance to Firefighters Grant - Matching, Level of Effort - Maintenance of Effort
Federal Agency: Department of Homeland Security
Federal Program: Assistance to Firefighters Grant
CFDA Number: 97.044
Federal Award Number and Year (or Other Identifying Number): EMW-2017-FR-00234
Pass-Through Entity: Direct Grant
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Finding: Material Weakness

Condition and Context

The City had not established a system of internal controls in order to ensure compliance with requirements related to the grant agreement and the matching and level of effort - maintenance of effort requirements of the Matching, Level of Effort, Earmarking compliance requirement. One individual was responsible for ensuring the matching requirements were met; however, an oversight or review process had not been established. It was determined the City was in compliance with the level of effort - maintenance of effort requirements; however, due to officials not being aware of the requirements, a system of internal controls had not been developed or implemented in order to ensure compliance.

The lack of internal controls was a systemic issue throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(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

The City's management had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the matching and level of effort - maintenance of effort requirements of the Matching, Level of Effort, Earmarking compliance requirement.

Effect

The failure to establish an effective internal control system placed the City at risk of noncompliance with the grant agreement and the matching and level of effort - maintenance of effort requirements.

Questioned Costs

There were no questioned costs identified.

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

Recommendation

We recommended that the City's management establish a system of internal controls to ensure compliance with the grant agreement and the matching and level of effort - maintenance of effort requirements.

Views of Responsible Officials

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

FINDING 2019-006

Subject: Assistance to Firefighters Grant - Reporting
Federal Agency: Department of Homeland Security
Federal Program: Assistance to Firefighters Grant
CFDA Number: 97.044
Federal Award Number and Year (or Other Identifying Number): EMW-2017-FR-00234
Pass-Through Entity: Direct Grant
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

Condition and Context

The City had not established an effective internal control system to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. The Battalion Chief prepared and submitted all federal reports without a proper system of oversight or review before submission. Due to the lack of oversight or review process, the final Federal Financial Report was submitted 42 days after the due date.

The lack of internal controls was systemic throughout the audit period; the noncompliance was limited to the Final Federal Report.

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 GOSHEN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.343(a) states:

"The non-Federal entity must submit, no later than 90 calendar days after the end date of the period of performance, all financial, performance, and other reports as required by the terms and conditions of the Federal award. The Federal awarding agency or pass-through entity may approve extensions when requested by the non-Federal entity."

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish a system of internal controls, including segregation of duties, related to the grant agreement and to comply with the Reporting compliance requirement. An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

Views of Responsible Officials

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

FINDING 2019-007

Subject: Assistance to Firefighters Grant - Subrecipient Monitoring
Federal Agency: Department of Homeland Security
Federal Program: Assistance to Firefighters Grant
CFDA Number: 97.044
Federal Award Number and Year (or Other Identifying Number): EMW-2017-FR-00234
Pass-Through Entity: Direct Grant
Compliance Requirement: Subrecipient Monitoring
Audit Findings: Material Weakness, Modified Opinion

CITY OF GOSHEN
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 Subrecipient Monitoring compliance requirement. The City did not perform the required subrecipient monitoring procedures over the three subrecipients identified in the grant agreement.

The lack of internal controls and noncompliance were systemic issues throughout 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 200.331 states in part:

"All pass-through entities must:

(a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward . . . Required information includes: . . .

(2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award; . . .

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

(1) Reviewing financial and performance reports required by the pass-through entity.

(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means. . . ."

Cause

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

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

Effect

The failure to establish an effective internal control system enabled noncompliance to remain undetected. Noncompliance with the grant agreement and the Subrecipient Monitoring compliance requirement could have resulted in the loss of federal funds to the City.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish a system of internal controls, including segregation of duties, related to the grant agreement and comply with the Subrecipient Monitoring compliance requirement. An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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.



City Clerk-Treasurer

CITY OF GOSHEN

202 South Fifth Street, Suite 2 • Goshen, IN 46528-3714

Phone (574) 533-8625 • Fax (574) 533-9740

clerktreasurer@goshencity.com • www.goshenindiana.org

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-001

Fiscal year in which the finding initially occurred: 2017

Contact person responsible for corrective action: Angie McKee / Adam Scharf

STATUS OF AUDIT FINDING

Lack of segregation of duties:

For the 2019 Annual Financial Report, Deputy Clerk-Treasurer Jeffery Weaver compiled and prepared the data. Consultants at BakerTilly performed adjustment and data entry in collaboration with Mr. Weaver. Clerk-Treasurer Adam Scharf reviewed and submitted. Supporting documents were placed in a folder.

City Court Transactions:

City court transactions were entered into Gateway. Monthly reports have not been received by Finance Department to date. Additionally, the court's supplemental CTAR was not completed and submitted for 2019.

A handwritten signature in cursive script that reads "Adam C. Scharf".

Adam C. Scharf
City Clerk-Treasurer
22 July 2020



City Clerk-Treasurer
CITY OF GOSHEN

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-002

Fiscal year in which the finding initially occurred: 2017

Contact person(s) responsible for corrective action: Angie McKee / Adam Scharf

STATUS OF AUDIT FINDING

Preparation of the Schedule of Expenditures of Federal Awards:

For the 2019 Annual Financial Report, Clerk-Treasurer's Office gathered information available from various city departments. This was not generally timely or efficient. The Clerk-Treasurer's Office in 2019 had begun compilation of grant records. It appears that work did not continue past July 2019.

The grant writer position cited in prior corrective action plan as a planned new hire to be responsible for writing, tracking and maintaining all city grants did not materialize as such.

A handwritten signature in cursive script that reads "Adam C. Scharf".

Adam C. Scharf
City Clerk-Treasurer
25 June 2020



**City Clerk-Treasurer
CITY OF GOSHEN**

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22 July 2020

CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Adam C. Scharf

Contact Phone Number: 574-533-8625

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Financial Close and Reporting

The workpapers to the next annual report will include evidence in the form of a signature indicating the Clerk-Treasurer's AFR and workpapers review occurring prior to submission in Gateway.

Payroll Disbursements

The Department of Finance has hired an additional, experienced payroll employee. We will update the procedures to include a sign-off on the review process already established when the department hired the employee at the beginning of May.

In addition, we plan to update to a modern timekeeping/scheduling system citywide in the latter half of 2020, with full implementation in 2021. This system will enhance safeguards against human error and provide additional audit capabilities.

Anticipated Completion Date: August 2020

FINDING 2019-002

Contact Person Responsible for Corrective Action: Adam C. Scharf

Contact Phone Number: 574-533-8625

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

We will resume maintenance of centralized grant tracking in the Clerk-Treasurer's office. This will include a record of:

- Grant agreements and award letters
- Requests for payment
- Itemized invoice for every payment
- Documentation that summarizes all transaction incurred for each grant
- Evidence of additional procedures and reporting as required by the grant, as completed

In the fourth quarter of 2020 we hope to hire a full-time, dedicated grant writer/administrator to implement and maintain the above.

Anticipated Date of Completion: December 2020

FINDING 2019-003

Contact Person Responsible for Corrective Action: Adam C. Scharf

Contact Phone Number: 574-533-8625

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

While occurring only once with this grant, the Department of Finance has noted several occasions when bills do not arrive timely from departments. This issue will be addressed via implementation of policy whereby all invoices due and payable must be presented with claims to the Clerk-Treasurer's office within 10 working days of receipt. In addition, when a grant invoice or receipt is received by a department, the department will promptly notify the grant administrator in the Clerk-Treasurer's office.

Anticipated Date of Completion: October 2020

FINDING 2019-004

Contact Person Responsible for Corrective Action: Adam C. Scharf

Contact Phone Number: 574-533-8625

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The inventory control, insurance, and capitalization policies are currently under review by the Clerk-Treasurer's office and a city policy committee spearheaded by the mayor's administration. Specific procedures and implementation plan will follow, and be distributed to departments.

The Department of Finance intends to set up a process to review and update asset ledgers with departments on an annual basis in the fourth quarter.

Anticipated Date of Completion: December 2020

FINDING 2019-005

Contact Person Responsible for Corrective Action: Adam C. Scharf

Contact Phone Number: 574-533-8625

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

To provide the required review and oversight controls to insure compliance, a second knowledgeable individual must participate and cooperate with the departmental administrator throughout the grant period. The new full-time grant writer/administrator in the Department of Finance will fulfill this role. Additionally, the grant administrator will follow a procedure whereby regular reviews of the grant agreement are conducted in cooperation with the departmental contact (consistent with the Corrective Action Plan for Finding 2019-002: "Evidence of additional procedures and reporting as required by the grant, as completed.").

Anticipated Date of Completion: Administrator and procedures in place by December 2020.

FINDING 2019-006

Contact Person Responsible for Corrective Action: Adam C. Scharf

Contact Phone Number: 574-533-8625

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

To provide the required review and oversight controls to insure compliance, a second knowledgeable individual must participate and cooperate with the departmental administrator throughout the grant period. The new full-time grant writer/administrator in the Department of Finance will fulfill this role. Additionally, the grant administrator will follow a procedure whereby regular reviews of the grant agreement are conducted in cooperation with the departmental contact (consistent with the Corrective Action Plan for Finding 2019-002: "Evidence of additional procedures and reporting as required by the grant, as

completed.”). Further, the grant administrator will complete – or verify completion by the departmental grant contact person – monitoring and reporting items in accordance with the grant agreement.

Anticipated Date of Completion: Administrator and procedures in place by December 2020.

FINDING 2019-007

Contact Person Responsible for Corrective Action: Adam C. Scharf

Contact Phone Number: 574-533-8625

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

To provide the required review and oversight controls to insure compliance, a second knowledgeable individual must participate and cooperate with the departmental administrator throughout the grant period. The new full-time grant writer/administrator in the Department of Finance will fulfill this role. Additionally, the grant administrator will follow a procedure whereby regular reviews of the grant agreement are conducted in cooperation with the departmental contact (consistent with the Corrective Action Plan for Finding 2019-002: “Evidence of additional procedures and reporting as required by the grant, as completed.”).

Further, the grant administrator will work with subrecipients to verify that monitoring and reporting items have been completing in accordance with the grant agreement.

Anticipated Date of Completion: Administrator and procedures in place by December 2020.



Signature

Clerk-Treasurer

Title

23 July 2020

Date

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/>.