

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF ELKHART

ELKHART COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
09/24/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Rita Huffman	01-01-19 to 12-31-19
	Carlos J. Arce	01-01-20 to 12-31-20
Mayor	Timothy Neese	01-01-19 to 12-31-19
	Rod Roberson	01-01-20 to 12-31-20
President of the Board of Public Works	Michael C. Machlan	01-01-19 to 12-31-20
President of the Common Council	Brian Dickerson	01-01-19 to 12-31-19
	H. Brent Curry	01-01-20 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 ELKHART, 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 Elkhart (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 September 17, 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

September 17, 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 ELKHART, ELKHART COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the City of Elkhart'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.

Opinion on Each 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 each of its major federal programs for the year ended December 31, 2019.

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)

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.

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 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)

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 September 17, 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
Paul D. Joyce, CPA
State Examiner

September 17, 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 ELKHART
 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			
Community Development Block Grants/Entitlement Grants			B-14-MC-18-0015	\$ -	\$ 1
Community Development Block Grants/Entitlement Grants			B-15-MC-18-0015	-	1,750
Community Development Block Grants/Entitlement Grants			B-16-MC-18-0015	50,000	72,853
Community Development Block Grants/Entitlement Grants			B-17-MC-18-0015	-	80,136
Community Development Block Grants/Entitlement Grants			B-18-MC-18-0015	31,100	72,336
Community Development Block Grants/Entitlement Grants			B-19-MC-18-0015	<u>10,108</u>	<u>64,971</u>
Total - Community Development Block Grants/Entitlement Grants				<u>91,208</u>	<u>292,047</u>
Total - CDBG - Entitlement Grants Cluster				<u>91,208</u>	<u>292,047</u>
Fair Housing Assistance Program State and Local					
Fair Housing Assistance Program State and Local	Direct Grant	14.401			
Fair Housing Assistance Program State and Local			FF205K135036	-	5,400
Fair Housing Assistance Program State and Local			FF205K165036	-	2,805
Fair Housing Assistance Program State and Local			FF205K185036	<u>-</u>	<u>29,849</u>
Total - Fair Housing Assistance Program State and Local				<u>-</u>	<u>38,054</u>
Total - Department of Housing and Urban Development				<u>91,208</u>	<u>330,101</u>
<u>Department of Justice</u>					
Bulletproof Vest Partnership Program					
Bulletproof Vest Partnership Program	Direct Grant	16.607			
Bulletproof Vest Partnership Program			FY2018	-	13,358
Bulletproof Vest Partnership Program			FY2019	<u>-</u>	<u>1,747</u>
Total - Bulletproof Vest Partnership Program				<u>-</u>	<u>15,105</u>
Equitable Sharing Program					
Equitable Sharing Program	Direct Grant	16.922			
Equitable Sharing Program			FY2019	<u>-</u>	<u>9,895</u>
Total - Department of Justice				<u>-</u>	<u>25,000</u>
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
City of Elkhart Cassopolis Street (SR 19) Multi-Use Path			A249-15L140032	-	87,388
City of Elkhart Cassopolis Street (SR19) Multi-Use Path			A249-15L140032	-	105,469
Bristol Street Widening Project			A249-19L180113	<u>-</u>	<u>612</u>
Total - Highway Planning and Construction				<u>-</u>	<u>193,469</u>
Total - Highway Planning and Construction Cluster				<u>-</u>	<u>193,469</u>

CITY OF ELKHART
 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
Highway Safety Cluster State and Community Highway Safety OPO	Elkhart County	20.600	ZP-15-45-86-75	-	16,008
Total - Highway Safety Cluster				-	16,008
Minimum Penalties for Repeat Offenders for Driving While Intoxicated Driving Under the Influence	Elkhart County	20.608	PT-12-11-04-16	-	3,739
Airport Improvement Program Airport Improvement Remove Obstructions (app & DEP) and Fence Phase I Airport Improvement Project 3-18-0018-30-2017 Taxiway B Lighting Rehabilitation	Direct Grant	20.106	AIP 3-18-0018-31-2018 AIP 3-18-0018-30-2017	- -	318,349 103,717
Total - Airport Improvement Program				-	422,066
Total - Department of Transportation				-	635,282
<u>National Endowment for the Humanities</u> Promotion of the Arts Partnership Agreements Rhapsody in the Green	Indiana Arts Commission	45.025	1809842-61-18	-	1,022
Total - National Endowment for the Humanities				-	1,022
<u>Department of Homeland Security</u> Disaster Grants - Public Assistance (Presidentially Declared Disasters) City of Elkhart EMA Sand Bagging & Road Closures City Park Debris Removal City Wide Debris Removal Central Garage Equipment Repair Studebaker Park Damages Direct Administrative Costs	Indiana Department of Homeland Security	97.036	123184 123780 124092 124849 124851 125342 144490	- - - - - - -	44,968 27,788 36,683 89,790 20,655 31,145 2,248
Total - Disaster Grants - Public Assistance (Presidentially Declared Disasters)				-	253,277
Total - Department of Homeland Security				-	253,277
Total federal awards expended				\$ 91,208	\$ 1,244,682

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

CITY OF ELKHART
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 ELKHART
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 programs:	
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 Programs and type of auditor's report issued on compliance for each:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
20.106	Highway Planning and Construction Cluster Airport Improvement Program	Unmodified 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.

Rod Roberson
Mayor

Jamie Arce
City Controller



City Controller's Office
229 S. Second St.
Elkhart, IN 46516

574.294.5471
Fax: 574.294.8491

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-001

Fiscal year in which the finding initially occurred: 2018
Contact Person Responsible for Corrective Action: Jamie Arce, Controller
Contact Phone Number: 574-294-5471

Status of Audit Finding:

Cash and Investments

The City implemented a summary worksheet shortly after the conclusion of the audit. The summary worksheet is completed by the Deputy Controller and Reviewed by the City Controller at the end of each month along with the bank reconciliation. The summary worksheet allows for the bank reconciliation for each account being reconciled to be compared to the fund balance or combined fund balance on the pooled cash report and the cash and investments report and note variances, if any.

Receipts

It is existing policy that staff timely post all receipting transactions when received. To mitigate the late posting and recognition of receipts, the City reviewed gaps in which information may not flow directly to staff responsible for the posting of the transaction. The solution to this potential problem was to contact the various sending agencies (i.e., State of Indiana & Elkhart County) to ensure appropriate staff were included on all ACH deposit notifications. In addition to making sure email distribution lists were updated to include appropriate staff, daily ACH receiving reports are distributed to appropriate staff and reconciled to Incode to ensure the timely posting of receipts.

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/>.