

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF EVANSVILLE

VANDERBURGH COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
12/30/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Russell G. Lloyd Jr., CPA	01-01-19 to 12-31-20
Mayor	Lloyd Winnecke	01-01-19 to 12-31-20
President of the Board of Public Works	Marty Amsler	01-01-19 to 12-31-20
President of the Common Council	Jim Brinkmeyer Alex Burton	01-01-19 to 12-31-19 01-01-20 to 12-31-20
Director of Utilities	Allen Mounts (Vacant) Lane Young	01-01-19 to 08-14-20 08-15-20 to 08-23-20 08-24-20 to 12-31-20
Chief Financial Officer of Utilities	Jenny Collins	01-01-19 to 12-31-20
President of the Department of Water Works Board	Robert Dillow	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
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE CITY OF EVANSVILLE, VANDERBURGH 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 statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Evansville (City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 17, 2020. Our report includes a reference to other auditors who audited the financial statements of the Evansville Land Bank and Evansville Bond Bank, as described in our report on the City's financial statements. The financial statements of the Evansville Land Bank were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, 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 statements, 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 statements 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 item 2019-001, 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
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters


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

City of Evansville'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 statements and, accordingly, we express no opinion on it.

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

December 17, 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 EVANSVILLE, VANDERBURGH COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the City of Evansville'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.

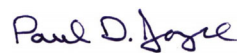
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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 statements of governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 17, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 basic financial statements. 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 statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, 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 basic financial statements as a whole.


Paul D. Joyce, CPA
State Examiner

December 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.

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CITY OF EVANSVILLE
 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 Commerce</u>					
Economic Development Cluster					
ECONOMIC ADJUSTMENT ASSISTANCE	DIRECT	11.307			
DMD - EDA			06-19-02232	\$ -	\$ 633,146
Total - Economic Development Cluster				-	633,146
Total - Department of Commerce				-	633,146
<u>Department of Housing and Urban Development</u>					
CDBG - Entitlement Grants Cluster					
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	DIRECT	14.218			
DMD - CDBG -14			B-14-MC-18-0002	95	6,639
DMD - CDBG - 15			B-15-MC-18-0002	38,479	38,479
DMD - CDBG - 16			B-16-MC-18-0002	41,215	41,215
DMD - CDBG - 17			B-17-MC-18-0002	672,366	746,880
DMD - CDBG -18			B-18-MC-18-0002	847,386	1,210,358
DMD - CDBG -19			B-19-MC-18-0002	275,935	281,762
Total - COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS				1,875,476	2,325,333
Total - CDBG - Entitlement Grants Cluster				1,875,476	2,325,333
EMERGENCY SOLUTIONS GRANT PROGRAM	DIRECT	14.231			
DMD - ESG - 16			E-16-MC-18-0002	102,325	102,325
DMD - ESG - 17			E-17-MC-18-0002	25,009	25,009
DMD - ESG -19			E-19-MC-19-0002	26,356	26,356
Total - EMERGENCY SOLUTIONS GRANT PROGRAM				153,690	153,690
HOME INVESTMENT PARTNERSHIPS PROGRAM	DIRECT	14.239			
DMD - HOME -15			M-15-MC-18-0201	147,348	150,811
DMD - HOME - 16			M-16-MC-18-0201	46,704	47,787
DMD - HOME - 17			M-17-MC-18-0201	113,472	120,624
DMD - HOM E-18			M-18-MC-18-0201	246,739	246,739
Total - HOME INVESTMENT PARTNERSHIPS PROGRAM				554,263	565,961
FAIR HOUSING INITIATIVES PROGRAM	DIRECT	14.408			
HUMAN RELATIONS - FAIR HOUSING			FF205K195016	-	50,700
Total - Department of Housing and Urban Development				2,583,429	3,095,684
<u>Department of Justice</u>					
MISSING CHILDREN'S ASSISTANCE	INDIANA STATE POLICE	16.543			
EPD - INTERNET CRIMES AGAINST CHILDREN - FY 2017			2017-MC-FX-K008	-	12,667

CITY OF EVANSVILLE
 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
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM		16.738			
EPD - FY 2016 JAG PROGRAM	DIRECT		2016-DJ-BX-0803	-	2,188
EPD - EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT 2017	INDIANA CRIMINAL JUSTICE INSTITUTE		2017-DJ-BX-0185	-	71,650
EPD - EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT	INDIANA CRIMINAL JUSTICE INSTITUTE		JAG-2019-00008	-	14,625
Total - EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM				-	88,463
EQUITABLE SHARING PROGRAM	DIRECT	16.922			
FEDERAL FORFEITURE PROCEEDS			FY 2019	-	50,833
Total - Department of Justice				-	151,963
<u>Department of Transportation</u>					
Federal Transit Cluster					
FEDERAL TRANSIT FORMULA GRANTS	DIRECT	20.507			
METS - IN-2016-017-00			IN-2016-017-00	-	3,515
METS - IN-2017-011			IN-2017-011-00	-	298,362
METS - IN-2017-019			IN-2017-019-00	-	20,106
METS CMAQ - IN-2018-025			IN-2018-025-00	-	356,433
METS - IN-2019-012-00			IN-2019-012-01	-	1,278,876
METS 5307 GRANT			IN-90-X684	-	33,108
METS - IN-90-X665			IN-90-X665	-	2,782
Total - FEDERAL TRANSIT FORMULA GRANTS				-	1,993,182
BUSES AND BUS FACILITIES FORMULA, COMPETITIVE, AND LOW OR NO EMISSIONS PROGRAMS	DIRECT	20.526			
METS CMAQ - IN-2018-025			IN-2018-025-02	-	207,569
METS - IN-2019-012-00			IN-2019-012-02	-	81,580
Total - BUSES AND BUS FACILITIES FORMULA, COMPETITIVE, AND LOW OR NO EMISSIONS PROGRAMS				-	289,149
Total - Federal Transit Cluster				-	2,282,331
Highway Planning and Construction Cluster					
HIGHWAY PLANNING AND CONSTRUCTION	INDIANA DEPARTMENT OF TRANSPORTATION	20.205			
PARKS-GREENWAY; MID LEVEE CORRIDOR			DES 1006084	-	31,043
HI-RAIL CONSTRUCTION - DES 1006085			DES 1006085	-	84,550
ENG - DES1383064			DES 1383064	-	533,710
WEINBACH ROAD CONSTRUCTION INSPECTION DES 1383065			DES 1383065	-	138,302
WASHINGTON AVE. @ 2ND ST. - ENG - DES1383066			DES 1383066	-	59,941
ENGINEER - WALNUT ST IMPROVEMENTS			DES 1700400	-	476,283
RIVERSIDE DRIVE STUDY			DES 1801827	-	22,168
INDUSTRIAL CORRIDOR PIGEON CREEK GREENWAY			DES1005997	-	38,792

CITY OF EVANSVILLE
 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
ENG - DES1006080-LINCOLN AVE TO NEWBURGH RD ENGINEER - SIGN UPGRADES DES 1601824			DES1006080 DES1601824	- -	128 63,807
Total - HIGHWAY PLANNING AND CONSTRUCTION				-	1,448,724
Total - Highway Planning and Construction Cluster				-	1,448,724
Highway Safety Cluster					
STATE AND COMMUNITY HIGHWAY SAFETY 2018 OPERATION PULLOVER ENFORCEMENT GRANT		20.600			
EPD - DUI TASK FORCE	VANDERBURGH COUNTY SHERIFF'S DEPARTMENT		D3-18-11934	-	13,328
EPD - TRAFFIC SAFETY OCCUPANCY PROTECTION	VANDERBURGH COUNTY SHERIFF'S DEPARTMENT		D3-18-12068	-	323
EPD - OPERATION PULL OVER	VANDERBURGH COUNTY SHERIFF'S DEPARTMENT INDIANA CRIMINAL JUSTICE INSTITUTE		M6X-2019-15-00-09 OP-2019-02-00	- -	4,073 59,338
Total - STATE AND COMMUNITY HIGHWAY SAFETY				-	77,062
Total - Highway Safety Cluster				-	77,062
Transit Services Programs Cluster					
ENHANCED MOBILITY FOR SENIORS AND INDIVIDUALS WITH DISABILITIES	DIRECT	20.513			
METS - IN-2018-025-05			IN-2018-025-05	-	48,934
METS - IN-2016-018-00			IN-2019-012-03	-	178,300
Total - ENHANCED MOBILITY FOR SENIORS AND INDIVIDUALS WITH DISABILITIES				-	227,234
Total - Transit Services Programs Cluster				-	227,234
Total - Department of Transportation				-	4,035,351
<u>Equal Employment Opportunity Commission</u>					
EMPLOYMENT DISCRIMINATION TITLE VII OF THE CIVIL RIGHTS ACT OF 1964 HUMAN RELATIONS COMMISSION	DIRECT	30.001			
			EEC45310018C0049	-	53,280
Total - Equal Employment Opportunity Commission				-	53,280
<u>Environmental Protection Agency</u>					
Clean Water State Revolving Fund Cluster					
CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING FUNDS	INDIANA FINANCE AUTHORITY	66.458			
EWSU - 2018A WATER SRF			DW18128201	-	4,681,109
EWSU - 2019 SEWER SRF			WW18068217	-	147,030
EWSU - 2018B SEWER SRF			WW18188218	-	27,036,403
Total - CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING FUNDS				-	31,864,542
Total - Clean Water State Revolving Fund Cluster				-	31,864,542
Total - Environmental Protection Agency				-	31,864,542
Total federal awards expended				<u>\$ 2,583,429</u>	<u>\$ 39,833,966</u>

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

CITY OF EVANSVILLE
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.

Note 3. Calculation of Economic Development Cluster Expenditures on the SEFA

The reported expenditures were calculated as follows in accordance with guidance by the grantor:

Revolving Loan Fund (RLF):		
Outstanding loans as of December 31, 2019	\$ 363,238	
Cash and Investments as of December 31, 2019	479,863	
Administrative expenses paid out of RLF income during 2019	1,093	
Unpaid principal on loans written off during 2019	<u>-</u>	
Subtotal Expenditures		<u>\$ 844,195</u>
Multiplied by the Federal Participation Rate		75%
Expenditures reported on the SEFA		<u><u>\$ 633,146</u></u>

CITY OF EVANSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:

Name of Opinion Unit	Opinion Issued
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Major Funds	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
Each Major Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statements 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:

Name of Federal Program or Cluster	Opinion Issued
Highway Planning and Construction Cluster	Unmodified
Federal Transit Cluster	Unmodified
Clean Water State Revolving Fund Cluster	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$1,195,019

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2019-001

Subject: Internal Controls over Capital Assets of the Evansville Redevelopment Authority, Accounts Payable, Debts Payable, Net Pension Liability, Net OPEB Liability, Deferred Inflows, and Deferred Outflows

Audit Finding: Material Weakness

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

Condition and Context

There were several deficiencies in the internal control system for the City of Evansville related to Capital Assets of the Evansville Redevelopment Authority, Accounts Payable, Debts Payable, Net Pension Liability, Net OPEB Liability, Deferred Inflows, and Deferred Outflows. The City had not separated incompatible activities related to these areas of the financial statements.

Capital Assets

Although the Evansville Redevelopment Authority had established internal controls to make sure all assets were included on the Capital Asset records, there were no internal controls in place to ensure the assets were reported at the proper amount.

Accounts Payable

Although the City of Evansville had established internal controls related to Accounts Payable where the Bookkeeping Supervisor generates the report and the Deputy City Controller reviews the report and enters the information into the Indiana Gateway for Government Units financial reporting system, audit evidence could not be provided to verify that the internal controls were in effect during the audit period.

Debts Payable

Although the City of Evansville had established internal controls related to Debts Payable, audit evidence could not be provided to verify that the internal controls were in effect during the audit period.

Net Pension Liability, Net OPEB Liability, Deferred Inflows, and Deferred Outflows

There was no internal controls process in place to ensure that the census data used to calculate Net Pension Liability and Net OPEB Liability, and related Deferred Inflows and Deferred Outflows, was complete and accurate.

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. . . ."

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

Cause

Internal Controls had not been properly implemented during the audit period.

Effect

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

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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 OF EVANSVILLE

Office of the Controller
CIVIC CENTER COMPLEX, ROOM 300
ONE NW MARTIN LUTHER KING, JR. BOULEVARD
EVANSVILLE, INDIANA 47708
(812) 436-4919

Lloyd Winnecke, Mayor

Russell Lloyd Jr. CPA, Controller

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Section III - Federal Award Finding and Questioned Costs

FINDING 2018-001 CFDA Number: 20.205

Fiscal Year in Which Audit Finding Occurred: 2018

Contact Persons Responsible for Corrective Action: Russell Lloyd, Controller
Brent Schmitt, City Engineer

Contact Phone Number: 812-436-4919

Status of Audit Finding: For the Audit Finding 2018-001 corrective action has been taken.

CITY OF EVANSVILLE
Russell G. Lloyd Jr. CPA,
Controller



CITY OF EVANSVILLE

Office of the Controller
CIVIC CENTER COMPLEX, ROOM 300
ONE NW MARTIN LUTHER KING, JR. BOULEVARD
EVANSVILLE, INDIANA 47708
(812) 436-4919

Lloyd Winnecke, Mayor

Russell Lloyd Jr. CPA, Controller

December 14, 2020

CORRECTIVE ACTION PLAN

Section II – Financial Statement Findings

FINDING 2019-001

Subject: Internal controls over Capital Assets of the Evansville Redevelopment Authority, Accounts Payable, Debts Payable, Net Pension Liability, Net OPEB Liability, Deferred Inflows, and Deferred Outflows.

Audit Finding: Material Weakness

Contact Persons Responsible for Corrective Action: Russell Lloyd CPA, Controller
Carol McMichael, Executive Director, Administrative Services

Contact Phone Numbers: 812-436-4919, 812-436-4940

Dear State Board Member(s):

The City of Evansville management concurs with the State Board of Account auditor's Finding 2019-001 outlining material weakness in internal controls over capital assets of the Evansville Redevelopment Authority and other matters.

Description of Corrective Action Plan:

Capital Assets: The City of Evansville has modified the process of acquisition, recording, deletion and maintenance of capital assets for the Evansville Redevelopment Authority so that assets are now recorded and maintained in the City's Tyler MUNIS accounting software database. Purchases will flow through the regular City process, using requisitions, purchase orders and invoices with approvals by supervisors and asset entries reviewed and prepared by the Reconciliation Clerk. The City Deputy Controller reviews asset balances and entries regularly and at period ends.

Anticipated Completion Date: December 15, 2020

Accounts Payable: The City of Evansville has used a process of management review when preparing the accounts payable report for upload to the state GATEWAY portal. The Accounts Payable Manager prepares the report and the Deputy Controller or Controller reviews the report prior to upload. The upload process includes the Controller's electronic signature. As an additional process for evidence of review the City accounts payable report will be physically initialed and dated by the Deputy Controller or an appropriate manager.

Anticipated Completion Date: After January 1, 2021

Debts Payable: The City of Evansville has used a process of management review when preparing the City debt payable report and individual debt issues for upload to the state GATEWAY portal. The Finance Officer prepares the debt payable report and the Deputy Controller or Controller reviews the report prior to upload. The upload process includes the Controller's electronic signature. As an additional process for evidence of review the City debt payable report will be physically initialed and dated by the Deputy Controller or an appropriate manager.

Anticipated Completion Date: After January 1, 2021

Net Pension Liability, Net OPEB Liability, Deferred Inflows, and Deferred Outflows: The City of Evansville Administrative Services Payroll Dept. uses employee census data to upload employee enrollment information to the State Public Employee Retirement Fund System (PERF) and the City self-insured health insurance plan. The City prepares employee and employer contributions to the plans through payroll and accounting processes. City staff review employee contribution information and eligibility regularly and during employee maintenance changes.

To implement additional controls the City will look to prepare interim periodic reports (monthly, quarterly) using Tyler MUNIS software to prepare lists of participants and City employee and employer contributions and other census data. Particular attention will be paid to new plan entrants. Additionally, the City will contact Indiana PERF to determine available participant interim periodic reports (monthly, quarterly) showing employee census data, employee and employer contributions, new plan entrants among other data. The OPEB retiree health insurance third party administrator will be contacted to determine whether they can provide interim periodic census data including employee and employer contributions and new plan entrants. Administrative Services management will review the reports especially new plan entrants and contributions. City Finance staff will review reports at accounting period cut offs. By reviewing the census data to minimize data entry errors the fund flows will assist in minimizing deferred inflow and deferred outflow errors as calculated by the plan actuaries.

Anticipated Completion Date: June 30, 2021

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/>.