

**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, 2020 to December 31, 2020



**FILED**  
03/01/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Carlos J. Arce	01-01-20 to 12-31-22
Mayor	Rod Roberson	01-01-20 to 12-31-22
President of the Board of Public Works	Michael C. Machlan	01-01-20 to 12-31-22
President of the Common Council	H. Brent Curry Arvis Dawson	01-01-20 to 12-31-21 01-01-22 to 12-31-22
Clerk of the Circuit Court	Debra Barrett	01-01-20 to 12-31-22



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, 2020, and the related notes to the financial statement, which collectively comprise the City's financial statement and have issued our report thereon dated February 16, 2022, 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 item 2020-001, 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  
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 2020-001.

***City of Elkhart'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.



Beth Kelley, CPA, CFE  
Deputy State Examiner

February 16, 2022



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, 2020. 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, 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  
(Continued)

***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 item 2020-002. 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.

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 item 2020-002, that we consider to be material weaknesses.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR 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, 2020, and the related notes to the financial statement. We issued our report thereon dated February 16, 2022, 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.



Beth Kelley, CPA, CFE  
Deputy State Examiner

February 16, 2022

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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, 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings 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				
Community Development Block Grants/Entitlement Grants		14.218	B-14-MC-18-0015	\$ -	\$ 13,774
Community Development Block Grants/Entitlement Grants			B-15-MC-18-0015	-	40,680
Community Development Block Grants/Entitlement Grants			B-16-MC-18-0015	-	136,379
Community Development Block Grants/Entitlement Grants			B-17-MC-18-0015	-	289,981
Community Development Block Grants/Entitlement Grants			B-18-MC-18-0015	-	99,232
Community Development Block Grants/Entitlement Grants			B-19-MC-18-0015	18,432	337,147
Community Development Block Grants/Entitlement Grants			B-20-MC-18-0015	-	90,520
				<u>18,432</u>	<u>1,007,713</u>
Subtotal - CDBG - Entitlement Grants Cluster					
COVID-19 Community Development Block Grants/Entitlement Grants	Direct Grant				
Community Development Block Grants/Entitlement Grants		14.218	B-20-MW-18-0015	42,072	47,833
				<u>60,504</u>	<u>1,055,546</u>
Total - CDBG - Entitlement Grants Cluster					
Fair Housing Assistance Program State and Local	Direct Grant				
Fair Housing Assistance Program State & Local		14.401	FF205K135036	-	6,019
Fair Housing Assistance Program State & Local			FF205K165036	-	2,195
Fair Housing Assistance Program State & Local			FF205K185036	-	36,267
				<u>-</u>	<u>44,481</u>
Total - Fair Housing Assistance Program State and Local					
Total - Department of Housing and Urban Development				<u>60,504</u>	<u>1,100,027</u>
<u>Department of Justice</u>					
Bulletproof Vest Partnership Program	Direct Grant				
Bulletproof Vest Partnership Program		16.607	FY2018	-	3,592
Bulletproof Vest Partnership Program			FY2019	-	5,176
				<u>-</u>	<u>8,768</u>
Total - Bulletproof Vest Partnership Program					
Equitable Sharing Program	Direct Grant				
Department of Justice Asset Forfeiture Program		16.922	FY2020	-	47,208
				<u>-</u>	<u>55,976</u>
Total - Department of Justice					

CITY OF ELKHART  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation				
Bike/Pedestrian Facilities on Cassopolis Multi-Use Trail Bristol St to Windsor Ave Phase I & II Elkhart County		20.205	A249-15-L140032	-	2,048
Bristol Street widening to four lanes from Jeanwood Drive to County Road 15; addition of multi-use path along side of the street			A249-19-L180113	-	201,871
Total - Highway Planning and Construction				-	203,919
Total - Highway Planning and Construction Cluster				-	203,919
Highway Safety Cluster					
State and Community Highway Safety					
DUI Taskforce Grant/Operation Pullover	Elkhart County	20.600	CHIRP-2020-00027	-	26,532
Total - Highway Safety Cluster				-	26,532
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	Elkhart County				
DUI Taskforce Grant/Driving Under the Influence		20.608	CHIRP-2020-00027	-	11,959
Airport Improvement Program	Direct Grant				
Airport Improvement Remove Obstructions (app & DEP) and Fence Phase I		20.106	AIP 3-18-0018-31-2018	-	65,331
Airport Improvement Obstruction Removal Wildlife Control & Security Fence - Phase 2			AIP 3-18-0018-32-2019	-	1,425,580
Total - Airport Improvement Program				-	1,490,911
Total - Department of Transportation				-	1,733,321
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus Relief Fund	Indiana Finance Authority				
COVID-19 Grant		21.019	FY2020	-	1,698,983
Total - Department of the Treasury				-	1,698,983
Total federal awards expended				\$ 60,504	\$ 4,588,307

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, 2020. 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?	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:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
21.019	CDBG - Entitlement Grants Cluster COVID-19 - Coronavirus Relief Fund	Unmodified Unmodified

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

Auditee qualified as low-risk auditee? no

**Section II - Financial Statement Findings**

**FINDING 2020-001**

Subject: Financial Transactions  
Audit Findings: Material Weakness, Noncompliance

*Condition and Context*

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

*Cash and Investments*

The City Controller prepared a month-end bank reconciliation which was approved by the appropriate officials; however, the review was inadequate to ensure that the combined bank balance agreed to the fund balances. Immaterial variances fluctuated each month and were noted on the reviewed bank reconciliation.

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

The lack of adequate internal controls and noncompliance were systemic issues, which occurred throughout the audit period.

*Criteria*

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

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

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

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

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

*Cause*

Management of the City had not established a proper system of internal controls related to financial transactions that would have ensured proper reconciling of the combined bank accounts.

*Effect*

The failure to establish a system of internal controls enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the City at risk that internal controls may not be either designed properly or operating effectively to provide reasonable assurance that internal controls will prevent, or detect and correct, misstatements in a timely manner.

*Views of Responsible Officials*

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

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

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2020-002**

Subject: CDBG - Entitlement Grants Cluster - Reporting  
Federal Agency: Department of Housing and Urban Development  
Federal Programs: Community Development Block Grants/Entitlement Grants, COVID-19 -  
Community Development Block Grants/Entitlement Grants,  
Assistance Listings Number: 14.218  
Federal Award Numbers and Years (or Other Identifying Numbers): B-14-MC-18-0015, B-15-MC-18-0015  
B-16-MC-18-0015, B-17-MC-18-0015  
B-18-MC-18-0015, B-19-MC-18-0015  
B-20-MC-18-0015, B-20-MW-18-0015  
Compliance Requirement: Reporting  
Audit Findings: Material Weakness, Noncompliance

*Condition and Context*

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

*Financial Reporting*

The Community Development Specialist prepared the quarterly Cash on Hand reports (PR-29), formerly known as the Federal Financial Report (SF-425) without evidence of a review or approval process to ensure accuracy of the reports prior to submission. The quarterly Cash on Hand reports were mathematically incorrect and were not supported by the City's records.

*Performance Reporting*

There was no documentation of the preparer or evidence of a review of the HUD 60002, Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons report that was submitted. Additionally, the HUD 60002, Section 3 Report was not supported by the City's records.

*Special Reporting*

Officials were unaware of reporting requirements related to subgrants over the \$25,000 threshold until the report was requested for audit. The report was submitted January 25, 2022. The FFATA Subaward Reporting System reports were not submitted timely.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

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

*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 200.302 states in part:

". . . (b) The financial management system of each non-Federal entity must provide for the following . . .

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.328 and 200.329. . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Reporting compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the Reporting 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 internal controls to ensure compliance and comply with the grant agreement and the Reporting compliance requirement.

*Views of Responsible Officials*

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

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

## CORRECTIVE ACTION PLAN

### ***FINDING 2020-001***

Contact Person Responsible for Corrective Action: Jamie Arce, City Controller  
Contact Phone Number: (574) 294-5471

Views of Responsible Official:

Controller acknowledges the findings.

The root of the issue stems from system weaknesses that can be generally traced to the initial setup of the City's existing accounting software (Incode). Controller & Deputy Controller have been actively working with the software provider to correct and resolve this issue. Ongoing monitoring of the month-to-month differences between the combined bank reconciliations and combined fund balances and investigating differences that were noted in an effort to correct and stabilize the issue continue to be in place.

Throughout early 2021 the Controller was actively working with our software vendor on a solution to this problem. Certain process steps in the accounts payable transaction module were recommended and were taken in an effort to identify the root cause of the difference; however, this change was not successful in highlighting a source. During this same time the Board of Accounts announced the mandatory change in fund numbering, switching from the existing three (3) fund numbers to four (4). In further discussions with our I.T. staff and our software vendor it was decided to upgrade and migrate our existing accounting ERP system to a new platform. This migration is seen as a solution to our need to adapt to the four (4) digit fund numbering requirement and most importantly provide for a clean starting point on a system that has been appropriately set up for the City's use of pooled cash and combined bank reconciliation for the City's 160+ active funds.

Description of Corrective Action Plan:

1. Staff will continue their ongoing monitoring of bank balances as reported on all bank reconciliations as compared to combined fund balances reports and address any differences discovered.
2. Staff is currently working with software vendor to finalize required steps necessary to migrate from current accounting ERP system (Incode 9) to new system (Incode 10) with an estimated completion and go live date in April – May 2022.
3. Upon completion of the migration to new accounting system staff will confirm a clean migration has occurred and that no reporting differences are evident.
4. Staff will continue its standard process of monitoring bank balance as compared to combined fund balance reports. Any weaknesses that are discovered will be addressed immediately by working with software vendor to ensure initial system setup is functioning as expected.

Anticipated Completion Date: June 30, 2022

**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

***FINDING 2020-002***

Contact Person Responsible for Corrective Action: Dayna Bennett, Director of Development Services  
Contact Phone Number: (574) 294-5471

Views of Responsible Official:

Staff acknowledges the findings. Staff will take, or has taken, the following actions as described below.

Description of Corrective Action Plan:

1. Key reporting deadlines will be added to each staff member's outlook calendar so the deadlines are not missed. This includes the Cash on Hand Report and the HUD 60002 Section 3 Report;
2. The CDBG Grant management policies and procedures manual has been updated to incorporate the FFATA subaward reporting system requirements;
3. Staff has verified with HUD the correct method to prepare quarterly Cash on Hand reports, and will ensure they are reviewed by management before future submissions.

Anticipated Completion Date: February 16, 2022

## 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/>.