

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF NEW CASTLE

HENRY COUNTY, INDIANA

January 1, 2020 to December 31, 2020



**FILED**  
05/09/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Brenda Grider	01-01-20 to 12-31-22
Mayor	Greg York	01-01-20 to 12-31-22
President of the Board of Public Works and Safety	Greg York	01-01-20 to 12-31-22
President Pro Tempore of the Common Council	Rex Peckinpaugh	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 NEW CASTLE, HENRY 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 New Castle (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 April 18, 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 items 2020-001 and 2020-002, 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 items 2020-001 and 2020-002.

***City of New Castle'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

April 18, 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 NEW CASTLE, HENRY COUNTY, INDIANA

**Report on Compliance for Each Major Federal Program**

We have audited the City of New Castle'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.

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)

***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.

**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, 2020, and the related notes to the financial statement. We issued our report thereon dated April 18, 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

April 18, 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 NEW CASTLE  
 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>					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii Wastewater Improvements Project	Office of Community and Rural Affairs	14.228	WW-17-122-15	\$ -	\$ 142,089
COVID-19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii CDBG-CV	Office of Community and Rural Affairs	14.228	CV-19-134	-	250,000
Total - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii				-	392,089
Total - Department of Housing and Urban Development				-	392,089
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction Fitzgerald Trail Riley Sidewalk	Indiana Department of Transportation	20.205	DES #1600976 DES #1400870	- -	41,516 31,825
Total - Highway Planning and Construction				-	73,341
Total - Highway Planning and Construction Cluster				-	73,341
Federal Transit Cluster Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs Transit Vehicle Grant	Indiana Department of Transportation	20.526	IN-2019-020-00-5339	-	91,840
Total - Federal Transit Cluster				-	91,840
Highway Safety Cluster State and Community Highway Safety Operation Pullover	Indiana Criminal Justice Institute	20.600	CHIRP-2020-00050	-	8,789
Total - Highway Safety Cluster				-	8,789

CITY OF NEW CASTLE  
 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
Formula Grants for Rural Areas and Tribal Transit Program Community Transit System Community Transit System	Indiana Department of Transportation	20.509	IN-2018-022-00 IN-2019-020-00	- -	58,996 150,254
Subtotal - Formula Grants for Rural Areas and Tribal Transit Program				-	209,250
COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program CARES ACT Community Transit System	Indiana Department of Transportation	20.509	IN-2019-020-00	-	136,166
Total - Formula Grants for Rural Areas and Tribal Transit Program				-	345,416
Minimum Penalties for Repeat Offenders for Driving While Intoxicated DUI Task Force Grant	Indiana Criminal Justice Institute	20.608	DUI-2019-00045	-	51,534
Total - Department of Transportation				-	570,920
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus Relief Fund CFDA 21.019 COVID RELIEF FUND	Indiana Finance Authority	21.019	FY 2020	-	560,239
Total - COVID-19 - Coronavirus Relief Fund				-	560,239
Total - Department of the Treasury				-	560,239
Total federal awards expended				\$ -	\$ 1,523,248

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

CITY OF NEW CASTLE  
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 NEW CASTLE  
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?	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:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	Unmodified
21.019	COVID-19 - Coronavirus Relief Fund	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 and Reporting  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2019-001.

*Condition and Context*

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

CITY OF NEW CASTLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The City had not separated incompatible activities related to cash and investments and financial transactions and reporting. Segregation of duties for each of these areas had not been designed or implemented to prevent, or detect and correct, errors in the financial statements.

An evaluation of the City's system of internal control had not been conducted. Additionally, the City did not have a process to identify or communicate corrective actions to improve internal controls. Effective internal controls over financial reporting required the City to monitor and assess the quality of the system of the internal control.

*Cash and Investments (Bank Reconciliations)*

The City had not properly designed or implemented internal controls over cash and investments, including bank reconciliations, to ensure the accuracy and completeness of the ledgers.

The reconcilments of the depository balances to the financial ledger balances were either prepared by the Clerk-Treasurer, or by a consultant, without a documented oversight or review process to ensure that bank reconcilments were prepared timely and that reconciling items were corrected in a timely manner.

Monthly bank account reconciliations for 12 bank accounts were not prepared until March 2022.

Records were not maintained by the City for 5 bank accounts related to the Sewage Bond Proceeds Trust fund and SRFWW 2018 fund. Reconciliations were not completed for any month during the audit period for the two funds, and the City had to request the 2020 monthly bank statements. Also, the City had not recorded or reported the activity or cash and investment balances held by the bank for the two funds. This resulted in the understatement of the beginning cash and investments balance, receipts, disbursements, and ending cash and investments balance by \$13,638,987, \$585,991, \$1,813,981, and \$12,410,997, respectively.

Audit adjustments were proposed, approved by the City, and made to the financial statement to add the Sewage Bond Proceeds Trust fund and SRFWW 2018 fund activity and balances to the financial statement.

The January to December 2020 monthly bank reconciliations included numerous reconciling items which were not timely posted to the City's financial system by December 2020. The reconciling items included items from 2019 totaling \$298,794, plus items from 2020 that resulted in a \$68,794 understatement of receipts, and a \$317,438 understatement of disbursements for a total net overstatement of \$547,438 of cash and investment balances at December 31, 2020.

*Financial Transactions*

The City had not properly designed or implemented internal controls over financial transactions to ensure the accuracy of the ledger postings.

During 2020, the General fund received interfund loans from the Wastewater Operating fund totaling \$1,400,000. The General fund repaid the loans prior to December 31, 2020; however, the repayment was receipted to the Storm Water N/R (W/W) fund in error.

During 2020, construction disbursements of \$1,034,048 and debt service disbursements of \$1,321,050 were posted to the Wastewater Operating fund; however, the disbursements should have been posted to the LTCP Construction Funds and Wastewater Bond and Interest funds, respectively.

CITY OF NEW CASTLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Audit adjustments were proposed, approved by the City, and made to the financial statement to correct the applicable activity for the Storm Water N/R (W/W), Wastewater Operating, LTCP Construction Funds, and Wastewater Bond and Interest funds.

*Financial Reporting*

The financial information was prepared and electronically submitted by the Clerk-Treasurer to the Indiana Gateway for Government Units financial reporting system, which was the source of the City's financial statement. An oversight or review process had not been documented to prevent, or detect and correct, errors to ensure that the financial information recorded and reported was accurate and complete. The financial statement was understated by the activity and balances noted above.

*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. . . ."

"Relevant information from both internal and external sources is necessary to support the functioning of the other components of internal control. Communication is the continual process of providing, sharing, and obtaining necessary information. Internal communication enables personnel to receive a clear message that control responsibilities are taken seriously by the organization. External communication enables relevant outside information to be internalized and internal information to be clearly communicated to external parties. . . ."

Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

CITY OF NEW CASTLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

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."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

*Cause*

Management had not established a proper system of internal control that would have ensured timely bank reconciliations and accurate recording of transactions and reporting.

*Effect*

The failure to establish a system of internal control enabled material 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, material misstatements in a timely manner. The financial statement 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.

**FINDING 2020-002**

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 2019-002.

CITY OF NEW CASTLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition and Context*

The City had not established internal controls over the federal award information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the City's Schedule of Expenditures of Federal Awards (SEFA). The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the SEFA.

Due to the lack of effective internal controls, the SEFA presented for audit included the following errors:

1. The COVID-19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii was omitted, which understated expenditures by \$250,000.
2. The Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii expenditures were understated by \$10,425.
3. The Buses and Bus Facilities Formula, Competitive, and Low or No Emission Programs Federal Transit Cluster grant expenditures were overstated by \$36,690.
4. The Highway Planning and Construction Cluster grant expenditures were understated by \$22,242.
5. The Formula Grants for Rural Areas and Tribal Transit Program expenditures were understated by \$80,720.
6. The COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program was omitted, which understated expenditures by \$136,166.
7. The COVID-19 - Coronavirus Relief Fund grant was omitted, which understated expenditures by \$560,239.
8. Other errors included incorrect program titles, assistance listings numbers, and identifying numbers.

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

*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.

CITY OF NEW CASTLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control . . ."

2 CFR 200.62 states in part:

*"Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:

- (a) Transactions are properly recorded and accounted for, in order to:
  - (1) Permit the preparation of reliable financial statements . . ."

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. 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.
- (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.

CITY OF NEW CASTLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings 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 (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."

*Cause*

Management had not established an effective 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**

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 New Castle, Indiana*

City Clerk Treasurer's Office

**Brenda Grider**  
City Clerk Treasurer

227 N. Main Street  
New Castle, IN 47362

FINDING 2019-001

## STATUS OF FINDING

A segregation of duties was implemented for Payroll disbursements.

Payroll is done by one person

Bookkeeper oversees and verifies claims and receipts in both Payroll, accts payable and receivable.

Two Signatures will be found on claim print outs.

Cash and Investments, financial reports have not been updated as the new operating system was not working for the City of New Castle. Controls over Cash and Investments have not been updated.

SEFA the problem with cash and investments have not been corrected but will be going forward. They will be corrected and added to Gateway.

Claims, timecards and time sheets have original signatures of Dept Heads and or a representative of the Departments.

All corrections were started with in a week of the prior audit findings.

Brenda Grider  
Clerk Treasurer  
3-17-2022



# *City of New Castle, Indiana*

City Clerk Treasurer's Office

**Brenda Grider**  
City Clerk Treasurer

227 N. Main Street  
New Castle, IN 47362

FINDING 2019-002

## STATUS OF FINDING

The City of New Castle developed and approved a policy 1.24 Grant Management through the Board of Public Works and Safety on 5/18/2020 for the Clerk Treasurer to review and sign a printed copy or give approval through email before final submission. SEFA findings have not been corrected, but will be going forward and will be updated on the gateway financials.

Brenda Grider

Clerk Treasurer

3-17-2022



# City of New Castle, Indiana

City Clerk Treasurer's Office

**Brenda Grider**  
City Clerk Treasurer

227 N. Main Street  
New Castle, IN 47362

FINDING 2019-003

## STATUS OF FINDING

The City of New Castle developed and approved a policy 1.24 Grant Management through the Board of Public Works and Safety on 5/18/2020 for the Clerk Treasurer to review and sign a printed copy or give approval through email before final submission.

Brenda Grider

Clerk Treasurer  
3-17-2022



# City of New Castle, Indiana

City Clerk Treasurer's Office

**Brenda Grider**  
City Clerk Treasurer

227 N. Main Street  
New Castle, IN 47362

## CORRECTIVE ACTION PLAN

### **FINDING 2020-001**

Contact Person Responsible for Corrective Action: Brenda Grider  
Contact Phone Number: 765-521-6803

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Cash and Investments:

1a. To ensure that all City funds are included in the City financial records, The Clerk Treasurer will keep more accurate records on any new funds coming into the city and get them added right away for receipting and disbursements. The bookkeeper will look over said funds to ensure they have been placed in the right fund, appropriation, receipts and disbursement lines.

Anticipated Completion Date: To start immediately

1b. To ensure that will be done timely and correct. Bank Reconciliations will be done within a 10 day period from the end of the month by the Clerk Treasurer will be looked over by the bookkeeper for accuracy. Both the Clerk Treasurer and the Bookkeeper will sign the document as completed.

Anticipated Completion Date: As soon as 2021 is entered and reconciled in gateway we can move forward with doing the 2022 bank reconcilements within a timely manner.

1c. To ensure that adjustments are identified and posted in a timely manner will coincide with keeping the bank reconcilements up to date, as discrepancies can be identified more closely at the time it happens.

Anticipated Completion Date: As soon as 2021 is entered and reconciled in gateway we can move forward with doing the 2022 bank reconcilements within a timely manner and adjustments can be done as soon as they are identified.

2. To ensure that financial transactions are posted correctly. The Accts Payable and Payroll clerk will receipt in all receipts. The Bookkeeper at the end of the day will do the deposits for the day and verify the accuracy of the receipt. On the following day the Bookkeeper will then enter all receipts into keystone, a transaction sheet will be ran and will be verified for accuracy by another employee. All persons will sign off on each receipt to verify. At the end of the month the clerk treasurer will complete the bank reconciliation to verify accuracy of items receipted in.

Anticipated Completion Date: Immediately

3. To ensure all information is entered into Gateway is correct the Clerk Treasurer and the bookkeeper will go over all the information along with someone from keystone helping with the uploading of the Annual Financial Report.

Anticipated Completion Date: Immediately

Brenda Grider  
4-17-2022



# City of New Castle, Indiana

City Clerk Treasurer's Office

**Brenda Grider**  
City Clerk Treasurer

227 N. Main Street  
New Castle, IN 47362

## ***FINDING 2020-002***

Contact Person Responsible for Corrective Action: Brenda Grider  
Contact Phone Number: 765-521-6803

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

To ensure the timely manner and accuracy of the SEFA awards and expenditures, the Clerk Treasurer will receive all documentation from the Grant administrator from the beginning of the process to its fruition. As receipts and disbursements are made the Clerk Treasurer has advised all employees that whenever they are receipting in or making disbursements out of the SEFA fund the Clerk Treasurer or Bookkeeper should be made aware of the transaction at that time. The Clerk Treasurer will update Gateway accordingly. After entering into Gateway both the keystone system and the Gateway upload should be in agreement.

Anticipated Completion Date: Immediately

Brenda Grider  
4-17-2022

## 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/>.