

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF KOKOMO

HOWARD COUNTY, INDIANA

January 1, 2021 to December 31, 2021



FILED

09/14/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Weston Reed	01-01-21 to 12-31-22
Mayor	Tyler Moore	01-01-21 to 12-31-22
President of the Board of Public Works and Safety	Weston Reed	01-01-21 to 12-31-22
President of the Common Council	Mathew Grecu Ray Collins	01-01-21 to 12-31-21 01-01-22 to 12-31-22
Superintendent of Wastewater	Chris Cooper	01-01-21 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 KOKOMO, HOWARD 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 Kokomo (City), for the year ended December 31, 2021, and the related notes to the financial statement, which collectively comprise the City's financial statement and have issued our report thereon dated August 22, 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.

Report on 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) as a basis for designing 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 Finding 2021-001, 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)

Report on 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 2021-001.

City of Kokomo's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. 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

August 22, 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 KOKOMO, HOWARD COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Kokomo'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, 2021. 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.

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, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

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)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statement of the City, as of and for the year ended December 31, 2021, and the related notes to the financial statement. We issued our report thereon dated August 22, 2022, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed 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

August 22, 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.

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CITY OF KOKOMO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2021

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
Department of Agriculture					
Rural Business Enterprise Grants USDA Rev Loan Fund	Direct Grant	10.769	FY 2021	\$ -	\$ 29,510
Total - Department of Agriculture				-	29,510
Department of Commerce					
Economic Development Cluster COVID-19 Economic Adjustment Assistance EDA CARES ACT Recovery Assistance RLF	Direct Grant	11.307	06-79-06236	-	284,130
Economic Adjustment Assistance EDA Revolving Loan	Direct Grant	11.307	FY2021	-	1,177,114
Total - Economic Adjustment Assistance				-	1,461,244
Total - Economic Development Cluster				-	1,461,244
Total - Department of Commerce				-	1,461,244
Department of Housing and Urban Development					
CDBG - Entitlement Grants Cluster Community Development Block Grants/Entitlement Grants HUD CDBG 2015 HUD-CDBG 2019 HUD CDBG 2020 HUD CDBG 2021	Direct Grant	14.218	B15-MC-18-0014 B19-MC-18-0014 B20-MC-18-0014 B21-MC-18-0014	102,936 - 71,110 61,592	205,455 58,123 411,336 104,247
Subtotal - Community Development Block Grants/Entitlement Grants				235,637	779,161
COVID-19 - Community Development Block Grants/Entitlement Grants CDBG CV 2020	Direct Grant	14.218	B20-MW-18-0014	146,289	146,289
Total - Community Development Block Grants/Entitlement Grants				381,926	925,450
Total - CDBG - Entitlement Grants Cluster				381,926	925,450
Total - Department of Housing and Urban Development				381,926	925,450
Department of Justice					
COVID-19 - Coronavirus Emergency Supplemental Funding Program BJA FY20 Coronavirus Emergency Supplemental Funding Program	Bureau of Justice Assistance	16.034	2020-VD-BX-1524	-	41,743
Missing Children's Assistance PO221 ICAC	Indiana State Police	16.543	2020-MC-FX-K008	-	2,631
Bulletproof Vest Partnership Program Bulletproof vest 50/50 partnership PO-520	Direct Grant	16.607	FY2020	-	19,200
Edward Byrne Memorial Justice Assistance Grant PO319 2019 JAG Grant PO320 2020 JAG Grant	Direct Grant	16.738	2019-DJ-BX-0279 2020-DJ-BX-0956	- -	1,463 21,018
Total - Edward Byrne Memorial Justice Assistance Grant				-	22,481
Equitable Sharing Program Police Equitable Sharing	Direct Grant	16.922	2021 Distribution	-	46,073
Total - Department of Justice				-	132,128

CITY OF KOKOMO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2021

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
Department of Transportation					
Federal Transit Cluster					
COVID-19 Federal Transit Formula Grants	Direct Grant	20.507			
FTA ARP			FY 2021	-	287,983
FTA CARES Grant Fund			IN-2020-018-00	-	1,402,771
Subtotal - COVID-19 Federal Transit Formula Grants				-	1,690,754
Federal Transit Formula Grants					
FTA16 Federal Transit Formula Grant 2016	Direct Grant	20.507	IN-2016-034-00	-	5,285
FTA19 Federal Transit Formula Grant 2019			IN-2019-010-00	-	648,817
FTASW STBG Flex Funding Multimodal Transit			IN-2020-005-00	-	528,070
FTA20 Federal Transit Formula Grant 2020			IN-2020-017-00	-	45,730
FTABB. Transit STBG Flex Bus Barn Replacement			IN-2020-036-00	-	206,695
Subtotal - Federal Transit Formula Grants				-	1,434,597
Total - Federal Transit Formula Grants				-	3,125,351
Total - Federal Transit Cluster				-	3,125,351
Highway Planning and Construction Cluster					
Highway Planning and Construction					
SMITH Smith road Preliminary Eng	Indiana Department of Transportation	20.205	DES #2002563	-	67,601
Lincoln & Berkley Intersection Impr W Added Travel Lanes			DES 1900780	-	116,890
Center Trail Fr SR931 to Dixon			DES NO 1901304	-	207,431
Total - Highway Planning and Construction				-	391,922
Total - Highway Planning and Construction Cluster				-	391,922
Highway Safety Cluster					
State and Community Highway Safety					
PO420E Administration	Indiana Criminal Justice Institute	20.600	CHIRP-2021-00001	-	1,238
PO420 Click It to Live It			CHIRP-2021-00001	-	22,239
PO420F Stop Arm Violation Enforcement			SAVE-2021-00009	-	7,723
PO420A Non-Motorist Grant			CHIRP-2021-00001	-	3,830
PO420C HVE Motorcycle			CHIRP-2021-00001	-	4,915
Total - State and Community Highway Safety				-	39,945
Total - Highway Safety Cluster				-	39,945
COVID-19 - Airport Improvement Program, COVID-19 - Airports Programs, and Infrastructure Investment and Jobs Act Programs					
FAA CARES Grant Fund					
FAA Coronavirus Response	Direct Grant	20.106	3-18-0044-029-2020	-	2,492
			FY 2021	-	11,508
Subtotal - COVID-19 - Airport Improvements Program, COVID-19 - Airports Programs, and Infrastructure Investment and Jobs Act Programs				-	14,000
Airport Improvement Program, COVID-19 - Airports Programs, and Infrastructure Investment and Jobs Act Programs					
A130 14/32 Rehab Construction & Cons Eng 100% FAA	Direct Grant	20.106	3-18-0044-030-2020	-	2,486,182
A132 Install Underdrains for Runway 5-23 (Design/Bid/Construction)			3-18-0044-032-2021	-	67,000
Subtotal - Airport Improvements Program, COVID-19 - Airports Programs, and Infrastructure Investment and Jobs Act Programs				-	2,553,182
Total - Airport Improvements Program, COVID-19 - Airports Programs, and Infrastructure Investment and Jobs Act Programs				-	2,567,182

CITY OF KOKOMO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2021

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
Minimum Penalties for Repeat Offenders for Driving While Intoxicated PO420B Summer Impaired Driving Enf PO420D Distracted Driving Grant	Indiana Criminal Justice Institute	20.608	CHIRP-2021-00001 CHIRP-2021-00001	- -	2,795 7,188
Total - Minimum Penalties for Repeat Offenders for Driving While Intoxicated				-	9,983
Total - Department of Transportation				-	6,134,383
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus State and Local Fiscal Recovery ARP Coronavirus State & Local Fiscal Recovery	Direct Grant	21.027	CY 2021	-	84,915
Total - Department of the Treasury				-	84,915
<u>Environmental Protection Agency</u>					
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements Brownfield Revolving Loan Brownfield Grant	Direct Grant	66.818	BF-00E01364 BF-00E02704	- -	215,194 81,694
Total - Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements				-	296,888
Clean Water State Revolving Fund Cluster Capitalization Grants for Clean Water State Revolving Funds Capitalization Grants for Clean Water State Revolving Funds	Direct Grant	66.458	WW21073403	-	2,214,600
Total - Clean Water State Revolving Fund Cluster				-	2,214,600
Total - Environmental Protection Agency				-	2,511,488
<u>Department of Health and Human Services</u>					
Aging Cluster Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers Title III part B Area 5	Area 5 on Aging & Community Services	93.044	2020/2021	-	14,904
Total - Aging Cluster				-	14,904
Total - Department of Health and Human Services				-	14,904
<u>Department of Homeland Security</u>					
Assistance to Firefighters Grant FEMA23 Firefighter Equipment	Department of Homeland Security	97.044	EMW-2020-FG-00200	-	8,973
Total - Department of Homeland Security				-	8,973
Total federal awards expended				<u>\$ 381,926</u>	<u>\$ 11,302,995</u>

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

CITY OF KOKOMO
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, 2021. 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

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

Revolving Loan Fund (RLF):			
Outstanding loans as of December 31, 2021		\$ 92,354	
Cash and Investments as of December 31, 2021		1,260,923	
Administrative expenses paid out of RLF income during 2021		25	
Unpaid principal on loans written off during 2021		-	
	Subtotal	1,353,302	
Calculation of Federal Participation Rate (FPR):			
Original grant		500,000	
Original match (In-Kind)		74,839	
	Subtotal	574,839	
FPR - Original grant awarded divided by total including original match			86.98%
Expenditures reported on the SEFA			\$ 1,177,114

CITY OF KOKOMO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

2. The reported expenditures for the COVID-19 - Economic Adjustment Assistance, were calculated as follows in accordance with guidance by the grantor:

Revolving Loan Fund (RLF):			
Outstanding loans as of December 31, 2021		\$251,837	
Cash and Investments as of December 31, 2021		32,294	
Administrative expenses paid out of RLF income during 2021		-	
Unpaid principal on loans written off during 2021		-	
	Subtotal		284,130
Calculation of Federal Participation Rate (FPR):			
Original grant		280,000	
Original match (In-Kind)		-	
	Subtotal		280,000
FPR - Original grant awarded divided by total including original match			100.00%
Expenditures reported on the SEFA			\$ 284,130

Note 4. Loans Outstanding

The City had the following loan balances outstanding at December 31, 2021. The value of these loans are also included in the federal expenditures presented in the SEFA.

Program Title	Federal CFDA Number	2021
Rural Business Enterprise Grants	10.769	\$ 29,510
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818	212,642

CITY OF KOKOMO
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
20.106	Federal Transit Cluster Airport Improvement Program, COVID-19 - Airports Programs, and Infrastructure Investment and Jobs Act Programs Clean Water State Revolving Fund Cluster	Unmodified 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 2021-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Condition and Context

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

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

The City failed to properly review the federal grant information prepared and submitted in Gateway. Although one employee prepared and entered the federal award information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

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

1. The Capitalization Grants for Clean Water State Revolving Funds grant was omitted, which understated expenditures by \$2,214,600.
2. Several additional grants had individually immaterial errors or omissions that resulted in a combined material misstatement of \$552,703.
3. Other errors included incorrect program names.

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.

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 200.1 states in part:

". . . *Internal controls* for non-Federal entities means:

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:

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

- (i) Effectiveness and efficiency of operations;
- (ii) Reliability of reporting for internal and external use; . . ."

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 . . ."

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.
- (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."

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

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control 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.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-001 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2020

Status of Audit Finding: Corrective action was taken.



CORRECTIVE ACTION PLAN

FINDING 2021-001 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Weston Reed
Contact Phone Number: 765-456-7455

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:

1. We were not aware that the SRF loan #WW21073403 were designated by SRF as Equivalency projects and therefore disbursements are considered Federal funds.
2. We were not aware that EDA, EDA CARES grant loan CFDA 11.307 outstanding loan receivable are not required to be reported and need to be removed from the outstanding receivable section. Conversely, federal grant CFDA 66.818 needs to have the outstanding loan receivable added to the SEFA schedule.

Anticipated Completion Date:

We will include the SRF loan and the outstanding loan receivable for grant CFDA 66.818 to the CY 2022 SEFA schedule that is due on Feb 28, 2023.

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/>.