

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF HOBART

LAKE COUNTY, INDIANA

January 1, 2022 to December 31, 2022



**FILED**

04/28/2023



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
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 <i>Government Auditing Standards</i> .....	3-4
Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance .....	5-8
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards .....	10-11
Notes to Schedule of Expenditures of Federal Awards.....	12
Schedule of Findings and Questioned Costs.....	13-19
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	22
Corrective Action Plan .....	23-24
Other Reports.....	25

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Deborah Longer	01-01-22 to 12-31-23
Mayor	Brian Snedecor	01-01-22 to 12-31-23
President of the Board of Public Works	Brian Snedecor	01-01-22 to 12-31-23
President Pro Tempore of the Common Council	Matthew Claussen	01-01-22 to 12-31-23



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 HOBART, LAKE 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 Hobart (City), for the year ended December 31, 2022, 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, 2023, 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, as described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001, 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 2022-001.

***City of Hobart'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

April 18, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE 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 HOBART, LAKE COUNTY, INDIANA

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

***Qualified Opinions***

We have audited the City of Hobart's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2022. The City's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs.

***Qualified Opinion on Highway Planning and Construction Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinions* section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Highway Planning and Construction Cluster for the year ended December 31, 2022.

**Basis for Qualified Opinion**

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.

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

*Matters Giving Rise to Qualified Opinion on Highway Planning and Construction Cluster*

As described in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding 20.205 Highway Planning and Construction Cluster, as described in item 2022-002 for Procurement and Suspension and Debarment. Compliance with such requirement is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

**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.

**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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE 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**

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

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, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2022-002, to be material weaknesses.

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 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.

*Government Auditing Standards* require the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other 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 THE 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, 2022, and the related notes to the financial statement. We issued our report thereon dated April 18, 2023, 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

April 18, 2023

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 HOBART  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2022

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
<b>Department of Justice</b>					
Crime Victim Assistance	Indiana Criminal Justice Institute	16.575			
VOCA Victims of Crime Act Formula Grant			2018-V2-GX-0031	\$ -	\$ 38,269
VOCA Victims of Crime Act Formula Grant			2019-V2-GX-0014	-	11,673
Total - Crime Victim Assistance				-	49,942
Violence Against Women Formula Grants	Indiana Criminal Justice Institute	16.588			
SERV System to End Repeated Violence			STOP-2020-00102	-	19,671
SERV System to End Repeated Violence			STOP-2021-00056	-	76,643
Total - Violence Against Women Formula Grants				-	96,314
Bulletproof Vest Partnership Program	Direct Grant	16.607			
Bullet Proof Vests			OMB1121-0235	-	2,754
Edward Byrne Memorial Justice Assistance Grant	Indiana Criminal Justice Institute	16.738			
License Plat Recognition Program			15PBJA-21-GG-00272-JAGX	-	1,070
License Plat Recognition Program			2019-DJ-BX-0018	-	34,382
Total - Edward Byrne Memorial Justice Assistance Grant				-	35,452
Equitable Sharing Program	Direct Grant	16.922			
Seizures			FY2022	-	573,378
Total - Department of Justice				-	757,840
<b>Department of Transportation</b>					
Highway Planning and Construction Cluster	Indiana Department of Transportation	20.205			
Highway Planning and Construction			DES 1601845	-	1,929
CNG Alternative Fuel Purchase			DES# 1592275	-	44,324
Deep River Stormwater Outfall			DES#1401034	-	177,805
Colorado St. Safety Improvement			DES: 1902708	-	1,539,866
Seven (7) Refuse Haulers				-	-
Total - Highway Planning and Construction				-	1,763,924
Total - Highway Planning and Construction Cluster				-	1,763,924
Highway Safety Cluster	Indiana Criminal Justice Institute	20.600			
State and Community Highway Safety Program			2021/2022	-	181,458
CHIRP (CITLI) 2021			2022/2023	-	26,365
CHIRP (CITLI) 2022				-	-
Total - State and Community Highway Safety Program				-	207,823

CITY OF HOBART  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2022

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
National Priority Safety Programs Save 2022	Indiana Criminal Justice Institute	20.616	2022	-	80,220
Total - Highway Safety Cluster				-	288,043
Minimum Penalties for Repeat Offenders for Driving While Intoxicated CHIRP (DUI Taskforce)	Indiana Criminal Justice Institute	20.608	2021/2022	-	88,695
CHIRP (DUI Taskforce)			2022/2023	-	8,217
Total - Minimum Penalties for Repeat Offenders for Driving While Intoxicated				-	96,912
Total - Department of Transportation				-	2,148,879
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds ARP Coronavirus Local Fiscal Relief	Direct	21.027	FY2021	-	609,056
Total - Department of the Treasury				-	609,056
<u>Department of Health and Human Services</u>					
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution CARES Provider Relief	Direct	93.498	FY2021	-	26,374
Medicaid Cluster State Medicaid Fraud Control Units Medicaid	Indiana Criminal Justice Institute	93.775	2201IN5050	-	12,188
Total - Medicaid Cluster				-	12,188
Total - Department of Health and Human Services				-	38,562
<u>Department of Homeland Security</u>					
Staffing for Adequate Fire and Emergency Response (SAFER) SAFER / Assistance to Firefighters	Direct Grant	97.083	EMW-2017-FH-00501	-	19,429
Total - Department of Homeland Security				-	19,429
Total federal awards expended				\$ -	\$ 3,573,766

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

CITY OF HOBART  
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, 2022. 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 HOBART  
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 program:	
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 Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Highway Planning and Construction Cluster	Qualified

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 2022-001**

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 report. The prior audit finding number was 2021-001.

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

*Condition and Context*

The City failed to properly review the federal grant information prepared and submitted in 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). Although the Chief Deputy prepared draft reports and entered the federal award information into Gateway, and the Clerk-Treasurer 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 Highway Planning and Construction Cluster grant receipts were overstated by \$360,884 due to reporting a non-federal portion of the grant.
2. Several grants had individually immaterial errors that resulted in a total misstatement of expenditures of \$71,809.
3. Other errors included incorrect federal program names 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.

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 5-11-1-4(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](#)."

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

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:
  - (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.

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

- (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**

**FINDING 2022-002**

Subject: Highway Planning and Construction Cluster - Procurement and Suspension and Debarment  
Federal Agency: U.S. Department of Transportation  
Federal Program: Highway Planning and Construction Cluster  
Assistance Listings Number: 20.205  
Federal Award Number and Year (or Other Identifying Numbers): DES: 1902708  
Pass-Through Entity: Indiana Department of Transportation  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Modified Opinion

*Condition and Context*

*Procurement Policy*

The City had a documented procurement policy; however, the policy did not reflect applicable state laws and regulations. In addition, the policy did not include procedures to avoid acquisition of unnecessary or duplicative items, procedures to ensure that all solicitations incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured or procedures to ensure that all solicitations identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

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

*Procurement and Suspension and Debarment*

The City purchased CNG refuse haulers totaling \$2,144,276 from the sole vendor that fell within the simplified acquisition threshold. The City considered this a special purchase as outlined in the Board of Works Resolution 2021-03. This resolution satisfied state statute for a special purchase as outlined in Indiana Code 5-22-10-9; however, it did not address or meet any of the noncompetitive procurement circumstances as outlined in federal statute. As such, sealed bids or competitive proposals, as required, were not obtained from an adequate number of sources. Additionally, the City did not verify that the vendor was neither suspended, nor debarred, or otherwise excluded or disqualified from participating in federal assistance programs prior to payment to the vendor.

The lack of internal controls and noncompliance was isolated to vendor noted above.

*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 200.320(b) states in part:

*"Formal procurement methods.* When the value of the procurement for property or services under the Federal financial assistance award exceeds the SAT, or a lower threshold established by a non-Federal entity, formal procurement methods are required. Formal procurement methods require following documented procedures. Formal procurement methods also require public advertising unless a non-competitive procurement can be used in accordance with § 200.319 or paragraph (c) of this section. The following formal methods of procurement are used for procurement of property or services above the simplified acquisition threshold or a value below the simplified acquisition threshold the non-Federal entity determines to be appropriate:

(1) *Sealed bids.* . . .

(ii) If sealed bids are used the following requirements apply:

(A) Bids must be solicited from an adequate number of qualified sources . . .

(2) *Proposals.* . . .

(i) Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Proposals must be solicited from an adequate number qualified offerors. . . ."

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

2 CFR 200.320(c) states:

*"Noncompetitive procurement.* There are specific circumstances in which noncompetitive procurement can be used. Noncompetitive procurement can only be awarded if one or more of the following circumstances apply:

- (1) The acquisition of property or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (see paragraph (a)(1) of this section);
- (2) The items is available only from a single source;
- (3) The public exigency or emergency for the requirement will not permit a delay resulting from publicizing a competitive solicitation;
- (4) The Federal awarding agency or pass-through entity expressly authorizes a noncompetitive procurement in response to a written request from the non-Federal entity; or
- (5) After solicitation of a number of sources, competition is determined inadequate."

Indiana Code 5-22-10-9 states: "A purchasing agent may make a special purchase when purchase of the required supplies or services under another purchasing method under this article would seriously impair the functioning of the using agency."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Effect*

The failure to establish an effective system of internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement could result in the loss of future federal funding to the City.

*Questioned Costs*

There were no questioned costs identified.

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

*Recommendation*

We recommended that the City's management establish a system of internal controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

*Views of Responsible Officials*

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

(This page intentionally left blank.)

#### AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the City. The documents are presented as intended by the City.



"The Friendly City"

# The City of Hobart

414 Main Street · Hobart, Indiana 46342

**Deborah A. Longer**  
Clerk-Treasurer

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### FINDING: 2021-001

Fiscal Year in which the finding initially occurred: 2021

Status of Audit Finding:

In accordance with the Corrective Action Plan dated June 29, 2022, each ERC was provided a copy of the Finding 2021-001 to remind them of their responsibilities and the necessary procedures and activities related to the overseeing of the grants and direct them to review the Internal Control Policies regarding the responsibilities, procedures and activities to assure the proper reporting of the SEFA in future years.

In 2022, it appears that part of the the SEFA reporting of federal dollars was combined with local and other funds received, causing an over-reporting of the federal funds received. Additional diligence will be taken, asking the ERC to provide specific parameters as to the amount of federal funds received, to assure that accurate reporting is done on the 2023 AFR SEFA report.

#### *Excerpt from Correction Action Plan:*

While the City of Hobart has had an effective internal control system in place since April 2017 (Common Council Resolution 2017-03 Communicating the City of Hobart Internal Control Objectives and to Document the Responsibilities, Procedures and Activities related to the City of Hobart Internal Control Standards) to ensure compliance with the requirements of the Federal Grant, it also relies on the individual Employee in Responsible Charge (ERC) of each grant to oversee and review the reporting of the grants. On a quarterly basis, the Clerk-Treasurer provides activity reports for each grant to the ERC for review who are to note any discrepancies as to the activity of the grant shown along with the program names, pass-through entities and identifying numbers and inform the Clerk-Treasurer of changes needed. At the end of the fiscal year, these reports are used to complete the Schedule of Expenditures of Federal Awards (SEFA). The draft SEFA is also given to each ERC for review prior to being submitted into Gateway to allow for corrections or updates to the information.

Anticipated Completion: February 1, 2024

Signed: Deborah A. Longer  
Deborah A. Longer, Clerk-Treasurer

Date: March 27, 2023



"The Friendly City"

# The City of Hobart

414 Main Street · Hobart, Indiana 46342

**Deborah A. Longer**  
Clerk-Treasurer

## CORRECTIVE ACTION PLAN

### FINDING: 2022-001

Contact Person Responsible for Corrective Action: Deborah A. Longer, Clerk-Treasurer  
Contact Phone Number: (219) 942-1940

Views of Responsible Official: We concur with the finding.

#### Description of Corrective Action Plan:

While the City of Hobart has had an effective internal control system in place since April 2017 (Common Council Resolution 2017-03 Communicating the City of Hobart Internal Control Objectives and to Document the Responsibilities, Procedures and Activities related to the City of Hobart Internal Control Standards) to ensure compliance with the requirements of the Federal Grant, it also relies on the individual Employee in Responsible Charge (ERC) of each grant to oversee and review the reporting of the grants. On a quarterly basis, the Clerk-Treasurer provides activity reports for each grant to the ERC for review who are to note any discrepancies as to the activity of the grant shown along with the program names, pass-through entities and identifying numbers and inform the Clerk-Treasurer of changes needed. At the end of the fiscal year, these reports are used to complete the Schedule of Expenditures of Federal Awards (SEFA). The draft SEFA is also given to each ERC for review prior to being submitted into Gateway to allow for corrections or updates to the information.

Each ERC will be provided a copy of the Finding 2022-001 to remind them of their responsibilities and the necessary procedures and activities related to the overseeing of the grants and direct them to review the Internal Control Policies regarding the responsibilities, procedures and activities to assure the proper reporting in all areas of the SEFA in future years.

Anticipated Completion Date: April 30, 2023

Signed: Deborah A. Longer  
Deborah A. Longer, Clerk-Treasurer

Date: April 19, 2023



"The Friendly City"

# The City of Hobart

414 Main Street · Hobart, Indiana 46342

**Deborah A. Longer**  
*Clerk-Treasurer*

## CORRECTIVE ACTION PLAN

### FINDING: 2022-002

Contact Person Responsible for Corrective Action: Deborah A. Longer, Clerk-Treasurer

Contact Phone Number: (219) 942-1940

Views of Responsible Official: We concur with the finding.

### Description of Corrective Action Plan:

The special purchase procurement of the CNG refuse haulers was done by Resolution of the Board of Public Works and Safety. This Resolution included references to the State Statutes permitting acquisitions of this type but did not include any reference to the Federal statutes and requirements. In addition, the Employee in Responsible Charge (ERC) and the agency assisting with the grants and purchasing failed to verify that the vendor was neither suspended nor debarred to assure they would be a qualified vendor.

The City Attorney has been appraised of both of these issues. In the future, any special purchase of equipment that utilizes Federal funding will include a reference to the State and Federal statutes governing such in the City's official action prior to moving forward and will meet all of the requirements of same. In addition, the City Attorney has included in all City contracts that the Vendor is required to provide assurances that they are a qualified vendor and not currently suspended or disbarred from doing business. In addition, each ERC will be provided a copy of the Finding 2022-02 to serve as a reminder of their responsibilities and the necessary procedures and activities related to the overseeing of the grants and direct them to review the Internal Control Policies regarding the responsibilities, procedures and activities to assure the proper reporting in all areas of the SEFA in future years.

Anticipated Completion Date: April 30, 2023

Signed: Deborah A. Longer  
Deborah A. Longer, Clerk-Treasurer

Date: April 19, 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/>.