

**CITY OF MONTGOMERY, ALABAMA**

**SINGLE AUDIT REPORT**

**FOR THE FISCAL YEAR ENDED**

**SEPTEMBER 30, 2020**

**CITY OF MONTGOMERY, ALABAMA  
SINGLE AUDIT REPORT  
TABLE OF CONTENTS  
SEPTEMBER 30, 2020**

---

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditors' 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	3
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs	10
Corrective Action Plan (Unaudited)	17

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and Members of the City Council  
City of Montgomery, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the government activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Montgomery, Alabama (the City) as of and for the year ended September 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated March 5, 2021. Our report included a reference to other auditors who audited the financial statements of the Employees' Retirement System of the City of Montgomery, the fiduciary fund of the City, or the Montgomery City-County Public Library, the discretely presented component unit of the City. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Employees' Retirement System of the City of Montgomery and the Montgomery City-County Public Library were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a 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 the 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001, 2020-002, and 2020-003 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

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

### **Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Warren Averett, LLC*

Montgomery, Alabama  
March 5, 2021

**INDEPENDENT AUDITORS' 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**

The Honorable Mayor and Members of the City Council  
City of Montgomery, Alabama

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

We have audited the City's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2020. The City's major federal programs are identified in the summary of auditors' 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.

**Auditors' 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.

**Opinion on Each of the Other Major Federal Programs**

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 other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2020.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-004 and 2020-005. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 a 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-004 and 2020-005, that we consider to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the City as of and for the year ended September 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated March 5, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of

management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Purpose of this Report**

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.

*Warren Averett, LLC*

Montgomery, Alabama  
March 5, 2021

**CITY OF MONTGOMERY, ALABAMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	CONTRACT NUMBER	FEDERAL EXPENDITURES	SUBRECIPIENT EXPENDITURES
<b><u>U. S. DEPARTMENT OF AGRICULTURE:</u></b>				
Passed through Alabama Department of Education:				
Child Nutrition Cluster - Summer Food Service Program	10.559	AGJ 0000 FY20	\$ 45,351	\$ -
<b><u>U. S. DEPARTMENT OF DEFENSE:</u></b>				
Direct Program:				
Community Economic Adjustment Planning Assistance	12.610	EN1502-17-02	\$ 82,500	\$ -
<b><u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u></b>				
Direct Program:				
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-01-0007	\$ 1,604	\$ -
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-01-0007	4,400	4,400
Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-01-0007	841,925	841,925
Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-01-0007	503,804	301,687
Subtotal Community Development Block Grants/Entitlement Grants			1,351,733	1,148,012
Direct Program:				
Emergency Solutions Grant Program	14.231	E-18-MC-01-0005	21,221	18,985
Emergency Solutions Grant Program	14.231	E-19-MC-01-0005	108,117	104,399
Emergency Solutions Grant Program	14.231	B-20-MW-01-0007	277	277
Subtotal Emergency Solutions Grant Program			129,615	123,661
Direct Program:				
HOME Investment Partnerships Program	14.239	M-16-MC-01-0204	473,704	473,704
HOME Investment Partnerships Program	14.239	M-18-MC-01-0204	115,875	54,704
Subtotal HOME Investment Partnerships Program			589,579	528,408
Total U.S. Department of Housing and Urban Development			\$ 2,070,927	\$ 1,800,081
<b><u>U. S. DEPARTMENT OF THE INTERIOR:</u></b>				
Direct Program:				
Historic Preservation Fund Grants-In-Aid	15.904	P18AP00114	\$ 13,000	\$ -
<b><u>U. S. DEPARTMENT OF JUSTICE:</u></b>				
Direct Program:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ-BX-0432	\$ 33,558	\$ -
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2018-DJ-BX-0733	38,645	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-DJ-BX-0635	70,543	-
Subtotal Edward Byrne Memorial Justice Assistance Grant Program			142,746	-
Passed through Alabama Department of Economic and Community Affairs:				
Project Safe Neighborhoods	16.609	18-MD-01-002	29,572	-
Total U. S. Department of Justice			\$ 172,318	\$ -

See independent auditors' 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.



**CITY OF MONTGOMERY, ALABAMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	CONTRACT NUMBER	FEDERAL EXPENDITURES	SUBRECIPIENT EXPENDITURES
<b><u>U. S. DEPARTMENT OF TRANSPORTATION:</u></b>				
Direct Program:				
Federal Transit Cluster:				
Federal Transit Formula Grants	20.507	AL-90-X240-00	\$ 12,576	\$ -
Federal Transit Formula Grants	20.507	AL-90-X247-00	2,813	-
Federal Transit Formula Grants	20.507	AL-2021-002-00	2,500,360	-
COVID 19 - Federal Transit Formula Grants	20.507	AL-2001-003-00	2,517,304	-
Buses and Bus Facilities Formula, Competitive, and low or no Emissions Program	20.526	AL-2017-016-00	2,699	-
Subtotal Federal Transit Cluster			5,035,752	-
Transit Services Program Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	AL-16-X008-00	2,006	-
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	AL-2016-020-00	5,083	-
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	AL-2017-021-00	18,728	-
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	AL-2018-012-00	32,045	-
Subtotal Transit Services Program Cluster			57,862	-
Passed through Alabama Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	STPMN-5114(521)	47,482	-
Highway Planning and Construction	20.205	STPMN-5116(250)	75,428	-
Highway Planning and Construction	20.205	STPMN-5116(251)	96,938	-
Highway Planning and Construction	20.205	STPMN-5115() PE	19,365	-
Highway Planning and Construction	20.205	STPMN 5116	6,928	-
Highway Planning and Construction	20.205	STPMN5114(254)	95,946	-
Highway Planning and Construction	20.205	STPMN5118()	64,013	-
Highway Planning and Construction	20.205	STPMT-7730(600)	34,941	-
Highway Planning and Construction	20.205	STPMT-7733(600)	11,132	-
Highway Planning and Construction	20.205	STPOA-7733	1,095,456	-
Highway Planning and Construction	20.205	STPOA-7701(602)	15,216	-
Highway Planning and Construction	20.205	STPOA-7729(600)	410,241	-
Highway Planning and Construction	20.205	TAPAA-TA19(918)	396,527	-
Highway Planning and Construction	20.205	TAPMN-TA18(935)	243,490	-
Highway Planning and Construction	20.205	IAR-051-000-013	6,036	-
Highway Planning and Construction	20.205	MPF/2020 UPWP	365,996	-
Subtotal Highway Planning and Construction			2,985,135	-
Passed through Alabama Department of Economic and Community Affairs:				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	19-FP-PT-002	16,000	-
State and Community Highway Safety	20.600	20-FP-PT-002	34,251	-
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	19-ID-M5-006	4,064	-
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	19-ID-M5-002	1,229	-
National Priority Safety Programs	20.616	20-FP-PT-006	1,584	-
Subtotal Highway Safety Cluster			57,128	-
Total U. S. Department of Transportation			\$ 8,135,877	\$ -
<b><u>U. S. DEPARTMENT OF TREASURY:</u></b>				
Passed through Alabama Department of Finance State Comptroller:				
COVID 19 - Coronavirus Relief Fund	21.019	SLT0223 & SLT0002	\$ 6,516,750	\$ -

See independent auditors' 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.

**CITY OF MONTGOMERY, ALABAMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	CONTRACT NUMBER	FEDERAL EXPENDITURES	SUBRECIPIENT EXPENDITURES
<b><u>U. S. DEPARTMENT OF HOMELAND SECURITY:</u></b>				
Direct Program:				
COVID 19 - Disaster Grants - Public Assistance	97.036	4503DR-AL	\$ 1,979,250	\$ -
Passed through Alabama Department of Emergency Management:				
Disaster Grants - Public Assistance	97.036	EM-3545-AL	37,346	-
Subtotal Disaster Grants - Public Assistance			<u>2,016,596</u>	<u>-</u>
Direct Program:				
Staffing for Adequate Fire and Emergency Response	97.083		497,509	-
Passed through Alabama Department of Emergency Management:				
Emergency Management Performance Grant	97.042	20EMF	14,279	-
Passed through Alabama Department of Homeland Security:				
Homeland Security Grant Program	97.067	8FIL	1,400	-
Homeland Security Grant Program	97.067	9LET	78,806	-
Subtotal Homeland Security Grant Program			<u>80,206</u>	<u>-</u>
Total U. S. Department of Homeland Security			<u>\$ 2,608,590</u>	<u>\$ -</u>
<b><u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u></b>				
Passed through Alabama Department of Public Health:				
Public Health Emergency Preparedness Grant	93.069	CEP-19-390	\$ 85,619	\$ -
<b><u>EXECUTIVE OFFICE OF THE PRESIDENT:</u></b>				
Passed through Alabama Department of Public Safety:				
High Intensity Drug Trafficking Areas Program	95.001	G17GC0006A	\$ 23,428	\$ -
High Intensity Drug Trafficking Areas Program	95.001	G19GC0006A	36,246	-
Subtotal Executive Office of the President			<u>59,674</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 19,790,606</u>	<u>\$ 1,800,081</u>

See independent auditors' 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.

**CITY OF MONTGOMERY, ALABAMA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

---

**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City and is presented on the accrual basis of accounting. The information in this schedule 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 (the Uniform Guidance).

**2. INDIRECT COST RATES**

The City did not elect to charge a de minimis rate of 10% for all federal awards.

**CITY OF MONTGOMERY, ALABAMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

---

**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes      x   No

Significant deficiency(ies) identified that are not considered to be material weaknesses?   x   Yes    \_\_\_\_\_ None reported

Federal Awards

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes      x   No

Significant deficiency(ies) identified that are not considered to be material weaknesses?   x   Yes    \_\_\_\_\_ None reported

Type of auditors’ report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   x   Yes    \_\_\_\_\_ No

Identification of major programs:

**CFDA Numbers**

**Name of Federal Program Cluster**

21.019

COVID 19 - Coronavirus Relief Fund

97.036

Disaster Grants - Public Assistance

97.036

COVID 19 - Disaster Grants - Public Assistance

20.507 & 20.526

Federal Transit Cluster

20.507

COVID 19 - Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?   x   Yes    \_\_\_\_\_ No

**CITY OF MONTGOMERY, ALABAMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

---

**Section II – Financial Statement Findings**

**Finding 2020-001 - Laptop Encryption**

**Observation:** The City’s laptops and mobile devices are not encrypted. Data encryption helps to prevent the interception or modification of sensitive information during transmission and at rest.

**Recommendation:** The City should consider device encryption on all laptops and mobile devices with the ability to store sensitive information.

**Views of Responsible Officials:** See Management’s response and Corrective Action Plan included at the end of the report.

**Finding 2020-002 - Logical Access**

**Observation:** The City has an informal process in place for changing system access to its primary network and financial applications. Further, the City currently does not have a defined process for the timely removal system access from terminated personnel. During the current audit, the City was unable to produce a current user listing from either the network environment or the financial systems to determine if access is appropriately monitored.

**Recommendation:** The City should enhance its controls concerning logical access to ensure all system user accounts are properly authorized and documented. The City should implement a formal termination process (IT termination checklist) to ensure system access is deactivated for all terminated personnel in a timely manner.

**Views of Responsible Officials:** See Management’s response and Corrective Action Plan included at the end of the report.

**Finding 2020-003 - Unsupported Operating Systems**

**Observation:** Numerous workstations and servers with out-of-support operating systems documented are still in use. The City has purchased extended support for both groups as the end of standard extended support was January 14, 2020. The purchased extended support option will become increasingly expensive and should be utilized only until upgrades can be completed.

**Recommendation:** The City should make plans to upgrade any instances of Windows 7 Workstation and Windows Server 2008 R2 as soon as feasible.

**Views of Responsible Officials:** See Management’s response and Corrective Action Plan included at the end of the report.

**CITY OF MONTGOMERY, ALABAMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

---

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

**Finding 2020-004 - Internal Controls over Grant Management (Significant Deficiency and Noncompliance)**

**Information on the federal program:** U.S. Department of Treasury CFDA No. 21.019 COVID 19 - Coronavirus Relief Fund, U.S. Department of Homeland Security CFDA No. 97.036 Disaster Grants - Public Assistance, U.S. Department of Homeland Security CFDA No. 97.036 COVID 19 - Disaster Grants - Public Assistance, U.S. Department of Transportation, Federal Transit Cluster, U.S. Department of Transportation, COVID 19 - Federal Transit Cluster

**Criteria:** 2 CFR 200.302 establishes the requirements of a financial management system adequate to ensure compliance with federal regulations. This system must include written procedures to implement requirements for payment methods and determine the allowability of costs in accordance with subpart E.

**Condition:** The City has written fiscal policies but they do not meet the financial management system requirements established in the regulations.

**Cause:** The City has processes and procedures in place to administer grant funds but written policies do not contain compliance requirements.

**Effect:** The City is not in compliance with financial management system requirements.

**Recommendation:** The City should develop a grants manual or additional written policies to incorporate all the requirements of 2 CFR 200 and ensure compliance.

**Views of Responsible Officials:** See Management's response and Corrective Action Plan included at the end of the report.

**Finding 2020-005 - Procurement (Significant Deficiency and Noncompliance)**

**Information on the federal program:** U.S. Department of Transportation, Federal Transit Cluster, U.S. Department of Transportation, COVID 19 - Federal Transit Cluster

**Criteria:** 2 CFR 200.318 through 200.326 establish procurement standards for non-federal entities. For purchases over the \$3,500 micro-purchase threshold but below \$150,000, the small purchase procedures must be used. The small purchase procedures require price or rate quotations be obtained from an adequate number of qualified sources or noncompetitive procurement must be documented.

**Condition:** We tested 40 disbursements for Federal Transit Administration and 12 of those were over the micro-purchase threshold. In one instance, proper procurement documentation was not provided.

**CITY OF MONTGOMERY, ALABAMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

---

**Section III – Federal Award Findings and Questioned Costs (Continued)**

**Cause:** Price quote documentation or sole source justification was not provided for the one instance noted above.

**Effect:** The City is not in compliance with procurement standards.

**Views of Responsible Officials:** See Management's response and Corrective Action Plan included at the end of the report.

**CITY OF MONTGOMERY, ALABAMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

---

**Section IV - Prior Year Audit Findings**

**Finding 2019-001 - Significant Deficiency**

**Criteria** - Internal controls should be in place that provide reasonable assurance that capital asset activity is accurately recorded throughout the year.

**Condition** - The internal controls over capital asset accounting were not adequate to prevent or detect errors in the recording of asset additions. The City incorrectly recorded capital asset additions and donation transactions.

**Cause and effect** - The City's procedures in place were not effective. The supervisory reviews performed were not adequate to detect the following errors: 1) erroneously recorded debt payment as a capital asset addition, 2) land donated to the City that was recorded as revenue and capital outlay in the capital project fund (noncash donations are not recordable in governmental funds) and 3) donated easements not valued correctly due to a clerical error in the rate per square foot.

**Status** - Corrective action taken

**Finding 2019-002 - Reporting (Noncompliance)**

**Identification of the federal program** - U.S. Department of Homeland Security CFDA No. 97.083 Staffing for Adequate Fire and Emergency Response.

**Criteria** - 2 CFR 200.328 requires recipients to submit performance reports, the frequency determined by the terms and conditions of the Federal award and supported by the underlying records.

**Condition** - The City is required to file quarterly performance reports. Three quarterly reports filed by the City varied from the underlying personnel records for filled SAFER-funded positions, total operational personnel, and NFPA-certified personnel.

**Cause and effect** - The City did not report accurate information on the Hiring Performance Reports due to errors in compiling information from personnel records.

**Status** - Corrective action taken

**Finding 2019-003 - Reporting (Significant Deficiency)**

**Identification of the federal program** - U.S. Department of Homeland Security CFDA No. 97.083 Staffing for Adequate Fire and Emergency Response.



**CITY OF MONTGOMERY, ALABAMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

---

**Criteria** - 2 CFR 200.328 requires recipients to submit performance reports, the frequency determined by the terms and conditions of the Federal award and supported by the underlying records.

**Condition** - The City does not have a process in place for independent review of financial and performance reports for this specific federal program.

**Cause and effect** - The City did not report accurate information on the Hiring Performance Reports due to a lack of appropriate independent review.

**Status** - Corrective action taken

**Finding 2018-001 - Reporting (Noncompliance)**

**Identification of the federal program** - U.S. Department of Housing and Urban Development CFDA No.14.218 Community Development Block Grants/Entitlement Grants.

**Criteria** - 2 CFR 200.328 requires recipients to submit financial reports, the frequency determined by the terms and conditions of the Federal award and supported by the accounting records.

**Condition** - The City is required to file quarterly financial reports. Three quarterly reports filed by the City varied from the supporting accounting records by a total of approximately \$60,000 for receipts and \$60,000 for disbursements. Also, when reporting federal cash receipts, cash on hand from the prior reporting period should be included. The City only reported current funds received, and therefore, inaccurately reported federal cash on hand.

**Cause and effect** - The City did not report accurate amounts on the Federal Financial Report SF-425 due to errors in compiling amounts from accounting records.

**Status** - Corrective action taken

**Finding 2018-002 - Reporting (Significant Deficiency)**

**Information on the federal program** - U.S. Department of Housing and Urban Development CFDA No.14.218 Community Development Block Grants/Entitlement Grants.

**Criteria** - 2 CFR 200.328 requires recipients to submit financial reports, the frequency determined by the terms and conditions of the Federal award and supported by the accounting records.

**Condition** - The City did not follow the U.S. Department of Housing and Urban Development's instructions for completing quarterly financial reports. Several financial and nonfinancial items were misreported, the most significant being the reporting of federal cash. When reporting federal cash receipts, cash on hand from the prior reporting period should be included. The City only reported current funds received, and therefore, inaccurately reported federal cash on hand.

**CITY OF MONTGOMERY, ALABAMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

---

**Cause and effect** - The City did not report accurate financial and nonfinancial information on the Federal Financial Report SF-425 due to a lack of appropriate review of supporting accounting records and form instructions.

**Status** - Corrective action taken

*Steven L. Reed, Mayor*

Montgomery City Council Members

Charles W. Jinright - President	Richard Bollinger	Clay McInnis
Audrey Graham	Brantley Lyons	Glen Pruitt, Jr.
Cornelius "CC" Calhoun	Oronde Mitchell	

*Betty P. Beville, Director of Finance*



*City of Montgomery, Alabama*

**MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION FOR  
THE SCHEDULE OF FINDINGS AND QUESTINED COSTS  
FOR THE YEAR ENDED SEPTEMBER 31, 2020**

**Section II – Financial Statement Findings**

**Finding 2020-001- Laptop Encryption**

**Management's Response:** Management concurs. While City laptops do not encrypt data at rest, Office 365 and remote access into the City's network require encryption protocols to secure the transmission of sensitive data. The City has implemented two-factor authentication for remote access into the City's network. Additionally, the City is considering implanting "bit locker" for encryption at rest of all City laptops. If funded and implemented, the City expects this to be completed in fiscal year 2022.

**Finding 2020-002- Logical Access**

**Management's Response:** Management concurs. Depending on the type of termination, the termination process currently uses two avenues of deactivating user access. Resignations in good standing and retirements generate a termination report from Payroll that IT receives no later than seven days after a payroll period has ended. Resignations in poor standing and dismissals cause the dismissing department to inform IT at the time of, if not prior to, dismissal. Receipt of the termination report or notification of the dismissing department then triggers the IT termination checklist. Management will draft a formal termination policy and distribute to all departments during fiscal year 2021.

**Finding 2020-003 - Unsupported Operating Systems**

**Management's Response:** Management concurs. The City has committed funding to upgrade all windows 7 clients and 2008 servers. Management will end the purchase of extended support when the upgrade project is complete. The upgrade plan is underway and will be completed during fiscal year 2021.

### **Section III – Federal Award Findings and Questioned Costs**

#### **Finding 2020-004 – Internal Controls over Grant Management**

**Management’s Response:** Management concurs. The City has recently approved and is working to implement to creation of a Grants Department. This department will prioritize drafting written procedures for payment method requirements and costs allowability for all grants in accordance with subpart E. The Grants Department is expected to be operational by the end of fiscal year 2021 and will finalize its procedures during fiscal year 2022.

#### **Finding 2020-005 - Procurement**

**Management’s Response:** Management concurs. The City will obtain an adequate number of quotes from qualified sources for purchases over the \$3,500 micro-purchase threshold but below \$150,000. This change will go into effect immediately.