

CITY OF MONTGOMERY, ALABAMA

SINGLE AUDIT REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2021

**CITY OF MONTGOMERY, ALABAMA
SINGLE AUDIT REPORT
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SEPTEMBER 30, 2021**

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**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 governmental 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 23, 2022. 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, and 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) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-001 through 2021-003 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-004 and 2021-005 to be significant deficiencies.

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

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 financial statements. 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*.

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 23, 2022

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, 2021. 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.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2021, and the related notes to the financial statements, and have issued our report thereon dated March 23, 2022, 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 23, 2022

**CITY OF MONTGOMERY, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	FEDERAL ASSISTANCE LISTING	CONTRACT NUMBER	FEDERAL EXPENDITURES	SUBRECIPIENT EXPENDITURES
<u>U. S. DEPARTMENT OF AGRICULTURE:</u>				
Passed through Alabama Department of Education: Child Nutrition Cluster - Summer Food Service Program	10.559	AGJ 0000 FY221	\$ 52,662	\$ -
<u>U. S. DEPARTMENT OF DEFENSE:</u>				
Direct Program: Community Economic Adjustment Planning Assistance	12.610	EN1502-17-02	\$ 9,000	\$ -
<u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Direct Program:				
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-01-0007	\$ 22,950	\$ 22,950
Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-01-0007	563,113	202,793
Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-01-0007	796,770	441,256
Community Development Block Grants/Entitlement Grants	14.218	B-20-MW-01-0007	859,256	727,527
Community Development Block Grants/Entitlement Grants	14.218	B-21-MC-01-0007	217,445	124,044
COVID-19 Community Development Block Grants/ Entitlement Grants	14.218	CDBG-CV3	360	360
Subtotal Community Development Block Grants/Entitlement Grants			2,459,894	1,518,930
Direct Program:				
Emergency Solutions Grant Program	14.231	E-19-MC-01-0005	41,085	33,228
Emergency Solutions Grant Program	14.231	E-20-MC-01-0005	30,317	28,975
Emergency Solutions Grant Program	14.231	E-20-MW-01-0007	185,095	148,119
COVID-19 Emergency Solutions Grant Program	14.231	ESG CV-2	2,463	-
Subtotal Emergency Solutions Grant Program			258,960	210,322
Direct Program:				
HOME Investment Partnerships Program	14.239	M-16-MC-01-0204	433,511	433,511
HOME Investment Partnerships Program	14.239	M-18-MC-01-0204	352,255	325,130
HOME Investment Partnerships Program	14.239	M-19-MC-01-0204	119,354	42,953
HOME Investment Partnerships Program	14.239	M-20-MC-01-0204	92,325	92,325
Subtotal HOME Investment Partnerships Program			997,445	893,919
Total U.S. Department of Housing and Urban Development			\$ 3,716,299	\$ 2,623,171
<u>U. S. DEPARTMENT OF JUSTICE:</u>				
Direct Program:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2018-DJ-BX-0733	\$ 1,261	\$ -
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2020-DJ-BX-0635	34,660	-
Subtotal Edward Byrne Memorial Justice Assistance Grant Program			35,921	-
Equitable Sharing Program	16.922	KI-20-0019 SE-ALM-0103	12,619	-
Equitable Sharing Program	16.922	KI-18-0032 SE-ALM-0096H	14,992	-
Subtotal Equitable Sharing Program			27,611	-
Gulf States Regional Law Enforcement Technology Training and Technical Assistance Initiative	16.843	2020-RZ-BX-0016	74,713	74,713
COVID-19 Emergency Supplemental Funding Program	16.034	2020-VD-BX-0655	39,362	-
Total U. S. Department of Justice			\$ 177,607	\$ 74,713

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, 2021**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	FEDERAL ASSISTANCE LISTING	CONTRACT NUMBER	FEDERAL EXPENDITURES	SUBRECIPIENT EXPENDITURES
<u>U. S. DEPARTMENT OF TRANSPORTATION:</u>				
Direct Program:				
Federal Transit Cluster:				
Federal Transit Formula Grants	20.507	AL-90-X247-00	\$ 1,921	\$ -
Federal Transit Formula Grants	20.507	AL-2016-019-00	1,980	-
Federal Transit Formula Grants	20.507	AL-2017-008-00	3,870	-
Federal Transit Formula Grants	20.507	AL-1019-2018-1	3,310	-
Federal Transit Formula Grants	20.507	AL-2021-002-0	101,137	-
Federal Transit Formula Grants	20.507	AL-2022-012-00	1,826,533	-
Federal Transit Formula Grants	20.507	AL-2022-012-00	637,915	-
Buses and Bus Facilities Formula, Competitive, and low or no Emissions Program	20.526	AL-2017-016-00	166,377	-
Subtotal Federal Transit Cluster			<u>2,743,043</u>	<u>-</u>
Transit Services Program Cluster:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	AL-16-X008-00	10,198	-
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	AL-2017-021-00	8,160	-
Subtotal Transit Services Program Cluster			<u>18,358</u>	<u>-</u>
Passed through Alabama Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	STPMN-5114(521)	2,014	-
Highway Planning and Construction	20.205	STPMN-5116(250)	510	-
Highway Planning and Construction	20.205	STPMN-5116(251)	6,690	-
Highway Planning and Construction	20.205	STPMN-5115() PE	9,850	-
Highway Planning and Construction	20.205	STPMN 5116	2,680	-
Highway Planning and Construction	20.205	STPMN5118()	9,821	-
Highway Planning and Construction	20.205	STPMN5118(255)	501,511	-
Highway Planning and Construction	20.205	STPMT-7730(600)	6,760	-
Highway Planning and Construction	20.205	STPMT-7733(600)	1,693	-
Highway Planning and Construction	20.205	STPAA-7730 (600)	20,330	-
Highway Planning and Construction	20.205	STPOA-7701(602)	26,982	-
Highway Planning and Construction	20.205	STPOA-7729(600)	313,276	-
Highway Planning and Construction	20.205	TAPAA-TA19(918)	-	-
Highway Planning and Construction	20.205	TAPMN-TA18(935)	9,961	-
Highway Planning and Construction	20.205	RVRWLKTAP	8,164	-
Highway Planning and Construction	20.205	MPF/2020 UPWP	372,535	-
Subtotal Highway Planning and Construction			<u>1,292,777</u>	<u>-</u>
Passed through Alabama Department of Economic and Community Affairs:				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	21-FP-PT-002	56,460	-
State and Community Highway Safety	20.600	21-FP-PT-006	2,375	-
National Priority Safety Programs	20.616	21-FP-PT-006	2,679	-
Subtotal Highway Safety Cluster			<u>61,514</u>	<u>-</u>
Total U. S. Department of Transportation			<u>\$ 4,115,692</u>	<u>\$ -</u>
<u>U. S. DEPARTMENT OF TREASURY:</u>				
Direct Program:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	COVID	\$ 8,427,020	\$ -
Passed through Alabama Department of Finance State Comptroller:				
COVID 19 - Coronavirus Relief Fund	21.019	SLT0223 & SLT0002	2,879,864	-
Total U. S. Department of Treasury			<u>\$ 11,306,884</u>	<u>\$ -</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
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	FEDERAL ASSISTANCE LISTING	CONTRACT NUMBER	FEDERAL EXPENDITURES	SUBRECIPIENT EXPENDITURES
<u>U. S. SMALL BUSINESS ADMINISTRATION</u>				
Direct Program: COVID-19 Shuttered Venue Operators Grant	59.075	SBAHQ21SV013841	\$ 1,199,671	\$ -
<u>U. S. DEPARTMENT OF HOMELAND SECURITY:</u>				
Direct Program: COVID 19 - Disaster Grants - Public Assistance	97.036	4503DR-AL	\$ 127,154	\$ -
Passed through Alabama Department of Emergency Management: Disaster Grants - Public Assistance	97.036	EM-3545-AL	5,334	-
Subtotal Disaster Grants - Public Assistance			132,488	-
Passed through Alabama Department of Emergency Management: Emergency Management Performance Grant	97.042	20EMF	61,801	-
Passed through Alabama Department of Homeland Security: Homeland Security Grant Program	97.067	8LOC	14,099	-
Homeland Security Grant Program	97.067	20FIL	10,700	-
Homeland Security Grant Program	97.067	20LET	29,996	-
Subtotal Homeland Security Grant Program			54,795	-
Total U. S. Department of Homeland Security			\$ 249,084	\$ -
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>				
Passed through Alabama Department of Public Health: Public Health Emergency Preparedness Grant	93.069	CEP-14-PV1-21	\$ 73,455	\$ -
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
Passed through Governor's Office of Volunteer Service AmeriCorps	94.006		\$ 30,000	\$ -
<u>EXECUTIVE OFFICE OF THE PRESIDENT:</u>				
Passed through Alabama Department of Public Safety: High Intensity Drug Trafficking Areas Program	95.001	G19GC0006A	\$ 8,817	\$ -
High Intensity Drug Trafficking Areas Program	95.001	G20GC0006A	13,132	-
Subtotal Executive Office of the President			21,949	-
Total Expenditures of Federal Awards			\$ 20,952,303	\$ 2,697,884

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, 2021

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, 2021**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

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

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weaknesses? 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)? Yes No

Identification of major programs:

Assistance Listing Numbers

Name of Federal Program Cluster

14.218	Community Development Block Grants/Entitlement Grants
14.218	COVID-19 Community Development Block Grants/Entitlement Grants
14.239	Home Investment Partnerships Program
59.075	COVID-19 Shuttered Venue Operators Grant Program
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds
21.019	COVID-19 Coronavirus Relief Fund

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

Auditee qualified as low-risk auditee? Yes No

**CITY OF MONTGOMERY, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Section II – Financial Statement Findings

Finding 2021-001 Construction in Progress (Material Weakness)

Criteria: The City’s management is responsible for the fair presentation of the financial statements in accordance with GAAP and for designing and maintaining internal controls to ensure the accuracy of reported amounts.

Condition: Construction in Progress (CIP) was not properly recorded.

Cause/Effect: The current year CIP activity was not properly recorded in the City’s accounting system. This caused the balance of CIP to be understated by \$1,351,853. This was communicated to the City and was subsequently corrected.

Recommendation: The City should reconcile CIP to the underlying ledgers and support on at least a quarterly basis. Once completed, reconciliations should be reviewed and approved by someone other than the preparer. This will help ensure that errors and/or adjustments are identified and corrected in a timely manner.

Finding 2021-002 Build America Bond Interest Rate (Material Weakness)

Criteria: The City’s management is responsible for the fair presentation of the financial statements in accordance with GAAP and for designing and maintaining internal controls to ensure the accuracy of reported amounts.

Condition: The Build American Bond (BAB) interest rebate amount was not properly recorded.

Cause/Effect: A transfer into the debt service fund for the BAB payment was classified as a BAB interest rebate. This caused BAB to be overstated by \$710,834. This was communicated to the City and was subsequently corrected.

Recommendation: The City should reconcile the BAB interest rebate, as well as all debt expenditures to the supporting amortization schedules and general ledger monthly. Once completed, reconciliations should be reviewed and approved by someone other than the preparer. This will help ensure that errors and/or adjustments are identified and corrected in a timely manner.

Finding 2021-003 Insurance Receivable (Material Weakness)

Criteria: The City’s management is responsible for the fair presentation of the financial statements in accordance with GAAP and for designing and maintaining internal controls to ensure the accuracy of reported amounts.

Condition: Medicare rebates were not properly reported.

Cause/Effect: Prescription rebates were accrued earlier in the fiscal year, but were not reversed when the rebates were received. This caused Medicare rebates to be overstated by \$830,000. This was communicated to the City and was subsequently corrected.

**CITY OF MONTGOMERY, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Recommendation: The City should reconcile all Internal Service Fund receivables on a monthly basis at the receipt of funds. Once completed, reconciliations should be reviewed and approved by someone other than the preparer. This will help ensure that errors and/or adjustments are identified and corrected in a timely manner.

Finding 2021-004 Laptop Encryption (Significant Deficiency)

Criteria: The City's management is responsible for the fair presentation of the financial statements in accordance with GAAP and for designing and maintaining internal controls to ensure the accuracy of reported amounts. Information Technology controls are integral to the overall control structure.

Condition: The City's information in mobile devices is at risk.

Cause/Effect: The City does not have encryption protection on its mobile devices. This causes the City to be at risk for 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.

Finding 2021-005 Incident Response Plan and Testing (Significant Deficiency)

Criteria: The City's management is responsible for the fair presentation of the financial statements in accordance with GAAP and for designing and maintaining internal controls to ensure the accuracy of reported amounts. Information Technology controls are integral to the overall control structure.

Condition: The City does not have a formal incident response plan in place.

Cause/Effect: The City is jointly developing an incident response plan in partnership with the City Emergency Management Department which was not complete at fiscal year end. The lack of an incident response plan presents the risk of an inability to recover critical system data in the event of a long-term business interruption.

Recommendation: The City should implement a robust incident response plan, including the following: a business impact analysis which identifies critical functions and information systems, the definition of an incident and escalation procedures, an overview of operations and information systems infrastructure, a process to invoke system restoration and data recovery procedures, contingency plan checklists and critical procedures, periodic incident response plan testing procedures, and specific cyber incidents responses. The incident response plan should be tested no less than annually, with the results reviewed and the plan adjusted accordingly.

Section III – Federal Award Findings and Questioned Costs

No findings identified



Betty P. Beville
Director of Finance

Steven L. Reed
Mayor

Montgomery City Council Members
Charles W. Jirright - President Brantley W. Lyons Glen O. Pruitt, Jr
C.C. Calhoun – President Pro Tem Audrey Graham Oronde K. Mitchell
Clay McInnis Marche Johnson Ed Grimes

City of **Montgomery**, Alabama

Section IV - Prior Year Audit Findings

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 and Effect: The City has processes and procedures in place to administer grant funds but written policies do not contain compliance requirements. The City is not in compliance with financial management system requirements.

Status: Corrective action taken

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.

Cause and Effect: Price quote documentation or sole source justification was not provided for the one instance noted above. The City is not in compliance with procurement standards.

Status: Corrective action taken



Betty P. Beville
Director of Finance

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C.C. Calhoun – President Pro Tem Audrey Graham Oronde K. Mitchell
Clav McInnis Marche Johnson Ed Grimes

City of **Montgomery**, Alabama

Management's Response and Corrective Action

Finding 2021-001- Construction in Progress

Management concurs. Projects that should have been considered CIP were, inadvertently, omitted from the CIP schedule due to incorrect flagging in the accounting system. The City will evaluate each project to determine if it is properly flagged as CIP prior to generating the CIP schedules.

Finding 2021-002 Build America Bond Interest Rate

Management concurs. A transfer into the debt service fund for the BAB payment was, inadvertently, classified as a BAB interest rebate. The City will reconcile debt service and interfund transfers on a monthly basis to avoid misclassifications error.

Finding 2021-003 Insurance Receivable

Management concurs. Prescription rebates were accrued earlier in the fiscal year, but were not reversed when the rebates were received. Accruals for prescription rebates and Medicare rebates will be reversed upon receipt.

Finding 2021-004 Laptop Encryption

Management concurs. The City has purchased and will implement Microsoft Intune within the next 90 days.

Finding 2021-005 Incident Response Plan and Testing

Management concurs. The City is in the process of developing an incident response plan in partnership with the City Emergency Management Department. Once developed the plan will then be scheduled for testing.

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