

Certified Public Accountants
& Consultants



City of Montgomery, Alabama
September 30, 2022
Single Audit Report

**City of Montgomery, Alabama
Single Audit Report
September 30, 2022**

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City of Montgomery, Alabama
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Federal Expenditures</u>	<u>Subrecipient Expenditures</u>
U.S. Department of Agriculture				
Passed through Alabama Department of Education				
Child Nutrition Cluster				
Summer Food Service Program for Children	10.559	AGJ 0000 FY22	\$ 98,083	
Total U.S. Department of Agriculture			<u>98,083</u>	
U.S. Department of Housing and Urban Development				
Direct Program				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-01-0007	1,389	\$ 1,389
Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-01-0007	32,562	32,562
Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-01-0007	515,989	400,347
Community Development Block Grants/Entitlement Grants	14.218	B-21-MC-01-0007	340,134	100,476
COVID-19 Community Development Block Grants/Entitlement Grants	14.218	COVID B-20-MW-01-0007	64,353	63,897
COVID-19 Community Development Block Grants/Entitlement Grants	14.218	COVID CDBG-CV3	401,125	401,125
Total CDBG - Entitlement Grants Cluster			<u>1,355,552</u>	<u>999,796</u>
Emergency Solutions Grants Program	14.231	E-20-MC-01-0007	108,598	99,459
Emergency Solutions Grants Program	14.231	E-20-MW-01-0007 (COVID - ESG-CV)	141,469	141,469
Emergency Solutions Grants Program	14.231	E-20-MW-01-0007 (COVID - ESG-CV-2)	968,481	391,904
Total Emergency Solutions Grants Program			<u>1,218,548</u>	<u>632,832</u>
HOME Investment Partnerships Program	14.239	M-16-MC-01-0204	216,025	192,844
HOME Investment Partnerships Program	14.239	M-18-MC-01-0204	112,823	112,823
HOME Investment Partnerships Program	14.239	M-19-MC-01-0204	739,842	730,215
HOME Investment Partnerships Program	14.239	M-20-MC-01-0204	479,875	388,667
HOME Investment Partnerships Program	14.239	M-21-MC-01-0204	46,837	36,467
Total HOME Investment Partnerships Program			<u>1,595,402</u>	<u>1,461,016</u>
Total U.S. Department of Housing and Urban Development			<u>4,169,502</u>	<u>3,093,644</u>

See accompanying notes to the schedule of expenditures of federal awards.

City of Montgomery, Alabama
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Federal Expenditures</u>	<u>Subrecipient Expenditures</u>
U.S. Department of the Interior				
Direct Program				
Historic Preservation Fund Grants-in Aid to State Historic Preservation Offices	15.904		\$ 29,413	
Total U.S. Department of the Interior			<u>29,413</u>	
U.S. Department of Justice				
Direct Program				
Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0655	<u>40,527</u>	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-DJ-BX-0635	19,077	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2020-DJ-BX-0295	104	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-21-GG-01131-JAGX	<u>45,652</u>	
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>64,833</u>	
Gulf States Regional Law Enforcement Technology Training and Technical Assistance Initiative	16.843	2020-RZ-BX-0016	<u>18,464</u>	<u>\$ 18,464</u>
Equitable Sharing Program	16.922		<u>74,056</u>	
Passed through Alabama Department of Economic and Community Affairs				
Project Safe Neighborhoods Formula Grant	16.609	19-MD-01-0002	<u>28,876</u>	
Total U.S. Department of Justice			<u>226,756</u>	<u>18,464</u>

See accompanying notes to the schedule of expenditures of federal awards.

City of Montgomery, Alabama
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Federal Expenditures</u>	<u>Subrecipient Expenditures</u>
U.S. Department of Transportation				
Direct Program				
Federal Transit Cluster				
Federal Transit Formula Grants	20.507	AL-90-X247-00	\$ 18,775	
Federal Transit Formula Grants	20.507	AL-2016-019-00	23,045	
Federal Transit Formula Grants	20.507	AL-2017-008-00	41,778	
Federal Transit Formula Grants	20.507	AL-2019-001-01	33,578	
Federal Transit Formula Grants	20.507	AL-2019-013-00	12,703	
Federal Transit Formula Grants	20.507	AL-2021-002-0	51,675	
Federal Transit Formula Grants	20.507	AL-2021-003-0 COVID	32,404	
Federal Transit Formula Grants	20.507	AL-2022-029-00	<u>2,263,962</u>	
Total Federal Transit Formula Grants			<u>2,477,920</u>	
Bus and Bus Facilities Formula & Discretionary Programs	20.526	AL-34-0005-00	7,366	
Bus and Bus Facilities Formula & Discretionary Programs	20.526	AL-2017-016-00	26,416	
Bus and Bus Facilities Formula & Discretionary Programs	20.526	AL-2020-020-00	<u>42,743</u>	
Total Bus and Bus Facilities Formula & Discretionary Programs			<u>76,525</u>	
Total Federal Transit Cluster			<u>2,554,445</u>	
Transit Services Programs Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	AL-16-X008-00	1,382	
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	AL-2016-020-00	157,650	
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	AL-2017-021-00	221,525	
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	AL-2018-012-00	<u>82,588</u>	
Total Transit Services Programs Cluster			<u>463,145</u>	

See accompanying notes to the schedule of expenditures of federal awards.

City of Montgomery, Alabama
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Contract Number	Federal Expenditures	Subrecipient Expenditures
Passed through Alabama Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	STPMN-7780()	\$ 111,458	
Highway Planning and Construction	20.205	STPMN-5115() PE	8,747	
Highway Planning and Construction	20.205	STPMN-5118()	74,451	
Highway Planning and Construction	20.205	STPMN-TA21(936)	45,800	
Highway Planning and Construction	20.205	TAPAA-TA21(914)	14,494	
Highway Planning and Construction	20.205	IAR-051-000-014	549,538	
Highway Planning and Construction	20.205	STPMN-7701()	21,193	
Highway Planning and Construction	20.205	STPOA-7701(602)	5,526	
Highway Planning and Construction	20.205	STPAA-7729(600)	196,740	
Highway Planning and Construction	20.205	MPF/2022 UPWP	475,694	
Total Highway Planning and Construction Cluster			1,503,641	
Passed through Alabama Department of Economic and Community Affairs				
Highway Safety Cluster				
State and Community Highway Safety	20.600	22-FP-PT-065	38,164	
Total U.S. Department of Transportation			4,559,395	
U.S. Department of the Treasury				
Direct Program				
Coronavirus State and Local Fiscal Recovery Funds	21.027		4,378,435	
Total U.S. Department of the Treasury			4,378,435	
U.S. Small Business Administration				
Direct Program				
Shuttered Venue Operators Grant	32.009		57,850	
Total U.S. Small Business Administration			57,850	

See accompanying notes to the schedule of expenditures of federal awards.

City of Montgomery, Alabama
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Federal Expenditures</u>	<u>Subrecipient Expenditures</u>
Institute of Museum and Library Services				
Passed through the Alabama Public Library Service				
Grants to States	45.310		\$ 15,300	
Total Institute of Museum and Library Services			<u>15,300</u>	
U.S. Small Business Administration				
Direct Program				
Shuttered Venue Operators Grant	59.075	SBAHQ21SV013841	90,724	
Total U.S. Small Business Administration			<u>90,724</u>	
U.S. Department of Health and Human Services				
Direct Program				
Community Programs to Improve Minority Health	93.137		585,376	\$ 257,682
Passed through Alabama Department of Public Health				
Public Health Emergency Preparedness	93.069	CEP-14-PV2	62,700	
Public Health Emergency Preparedness	93.069	C20115214	22,942	
Total Public Health Emergency Preparedness			<u>85,642</u>	
Passed through Alabama Department of Public Health				
Activities to Support State, Tribal, Local and Territorial (STLT) Health	93.391	NH75OT000104-01-00	253,801	111,228
Total U.S. Department of Health and Human Services			<u>924,819</u>	<u>368,910</u>
Executive Office of the President				
Passed through Alabama Department of Public Safety				
High Intensity Drug Trafficking Areas Program	95.001	G19GC0006A	26,791	
High Intensity Drug Trafficking Areas Program	95.001	G22GC0006A	16,245	
Total Executive Office of the President			<u>43,036</u>	

See accompanying notes to the schedule of expenditures of federal awards.

City of Montgomery, Alabama
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Federal Expenditures</u>	<u>Subrecipient Expenditures</u>
U.S. Department of Homeland Security				
Passed through Alabama Department of Emergency Management Emergency Management Performance Grants	97.042		\$ 76,080	
Passed through Alabama Law Enforcement Agency Homeland Security Grant Program	97.067	2021-FIL-004	6,117	
Total U.S. Department of Homeland Security			<u>82,197</u>	
Total Expenditures of Federal Awards			<u>\$ 14,675,510</u>	<u>\$ 3,481,018</u>

See accompanying notes to the schedule of expenditures of federal awards.

City of Montgomery, Alabama
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

Note 1 - Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Montgomery, Alabama (the City) and is presented on the accrual basis of accounting. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred. 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). Therefore, some of the amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Reporting Entity

The City's reporting entity is fully described in Note 1 to the financial statements.

Note 3 - Indirect Cost Rates

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

**Independent Auditor's 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 23, 2023. Our report included a reference to other auditors who audited the financial statements of the Montgomery City-County Public Library, the discretely presented component unit of the City, as described in our report on the City's financial statements. The financial statements of the Montgomery City-County Public Library were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance with other matters associated with the Montgomery City-County Public Library.

Report on 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified 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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-001 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 deficiency described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a significant deficiency.

Report on 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*.

City of Montgomery, Alabama's Response to Findings

Government Auditing Standards requires the auditor to performed limited procedures on the City's response to the findings identified in our audit and 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 the financial statements and, accordingly, we express no opinion on the response.

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.

Jackson Thornton & Co. PC

Montgomery, Alabama
June 23, 2023

Independent Auditor's Report on Compliance for Each Major 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

Opinion on Each Major Program

We have audited the City of Montgomery, Alabama's (the City) compliance with the types of compliance requirements identified as subject to audit 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, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

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 generally accepted auditing standards, *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 generally accepted auditing standards, *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.

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 is described in the accompanying schedule of findings and questioned costs as item 2022-003. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance 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.

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.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questions costs as item 2022-003 to be a material weakness.

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 requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our compliance 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.

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

We have audited 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, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 23, 2023, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the 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 as a whole.

Jackson Thornton & Co. PC

Montgomery, Alabama
June 23, 2023

City of Montgomery, Alabama
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued - unmodified

Internal Control Over Financial Reporting

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? X Yes None reported

Noncompliance Material to Financial Statements Noted?

 Yes X No

Federal Awards

Internal control over major programs

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes X None reported

Type of auditor's report issued on compliance for major programs - unmodified

Any audit findings disclosed that are required to be reported in accordance with *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)?

 X Yes No

Identification of major programs

Assistance Listing Number	Name of Federal Program or Cluster
14.231	Emergency Solutions Grants Program
20.205	Highway Planning and Construction Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds

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

Auditee qualified as low-risk auditee? Yes X No

City of Montgomery, Alabama
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022

Section II - Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Finding 2022-001 - 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 - Policies and procedures over the recording of transactions occurring at or near year end are not adequate to capture all material accruals.

Effect - Medicare and prescription rebates were not properly reported, resulting in material adjustments to the financial statements. Medicare and prescription rebates were understated by \$1,316,156.

Workers compensation liability was not properly reported, resulting in material adjustments to the financial statements. Workers compensation reserves were understated by \$1,668,324.

Cause - The City did not reconcile Internal Service Fund receivables on a monthly basis to ensure that errors and/or adjustments were identified and corrected in a timely manner.

The City did not reconcile the workers compensation liability balance to the claims report to ensure that errors and/or adjustments were identified and corrected in a timely manner.

Recommendation - The City should implement policies and procedures over the recording of transactions occurring at or near year end. Specifically, the City should reconcile all Internal Service Fund receivables on a monthly basis. Once completed, reconciliations should be reviewed and approved by someone other than the preparer to ensure that errors and/or adjustments are identified and corrected in a timely manner.

Also, the City should reconcile the workers compensation liability balance to the claims report. Once completed, reconciliations should be reviewed and approved by someone other than the preparer to ensure that errors and/or adjustments are identified and corrected in a timely manner.

Views of Responsible Officials - The City agrees with the finding. The City will implement these recommendations.

City of Montgomery, Alabama
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022

Finding 2022-002 - 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.

Condition - Policies and procedures were not in place to ensure fund activities related to asset acquisitions were included in the City's books.

Effect - Garrett Coliseum activity was not properly reported. Garrett Coliseum change in net position was understated by \$73,005.

Cause - The activity was compiled by an outside accounting firm, but was not included in the City's records.

Recommendation - The City should regularly request statements from the accounting firm in order to correctly present the transactions in the Garrett Coliseum Fund.

Views of Responsible Officials - The City agrees with the finding. The City will implement these recommendations.

City of Montgomery, Alabama
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022

Section III - Federal Awards Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to major federal programs that are required to be reported in accordance with the Uniform Guidance.

Finding 2022-003 - Reporting (Noncompliance and Material Weakness)

Identification of the Federal Program - Coronavirus State and Local Fiscal Recovery Funds - Assistance Listing Number 21.027

Criteria - The criteria is based on the guidelines and regulations set forth by the funding agency, the Department of the Treasury, in the Compliance and Reporting Guidance: State and Local Fiscal Recovery Funds document. According to these requirements, recipients must include the total of both the current period expenditure and the cumulative expenditure as of the end of each quarter on each quarterly Project and Expenditure report. These amounts should agree to amounts recorded in the City's trial balance and amounts reported on the SEFA. The recipients must also include detailed obligation and expenditure information for contracts and grants awarded. The recipient should also report on any subawards agreed upon with obligations or payments made to subrecipients.

2 CFR 200.303, *Internal Controls*, requires that recipients establish and maintain effective internal control over Federal awards that provides reasonable assurance that the recipient is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards.

Condition - There was a lack of monitoring and appropriate review by the City of certain reports prepared by the grant department.

Effect - For the reporting period ended June 30, 2022, current expenditures of \$1,213,447 were excluded from the report and Cumulative Expenditures was understated by \$1,328,786. Also, subrecipients were listed on the June 30, 2022 report that were not true subrecipients. The entities incorrectly listed as subrecipients had subawards totaling \$1,541,016 incorrectly reported on the report.

Cause - The incorrect reporting is attributed to a lack of understanding/misinterpretation of the reporting guidelines by the responsible personnel.

Recommendation - The City should ensure responsible personnel has a clear understanding of the reporting guidance including what constitutes a subrecipient. The City should implement policies and procedures to monitor and review all reports prepared and submitted by the grants department.

Views of Responsible Officials - The City agrees with the finding. The City will implement additional review procedures over grant reporting requirements, including more adequate review of reports prepared by third-party grant administrators.



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Director of Finance

Steven L. Reed
Mayor

Montgomery City Council Members

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

City of **Montgomery**, Alabama

Corrective Action Plan

Finding 2022-001- Material Weakness

Management concurs. The City will implement policies and procedures over the recording of transactions occurring at or near year end. Specifically, the City will reconcile all Internal Service Fund receivables on a monthly basis. Once completed, reconciliations will be reviewed and approved by someone other than the preparer to ensure that errors and/or adjustments are identified and corrected in a timely manner.

Also, the City will reconcile the workers compensation liability balance to the claims report. Once completed, reconciliations will be reviewed and approved by someone other than the preparer to ensure that errors and/or adjustments are identified and corrected in a timely manner.

Finding 2022-002 - Significant Deficiency

Management concurs. The City will regularly request statements from the accounting firm in order to correctly present the transactions in the Garrett Coliseum Fund. The City will also take steps to consolidate all Coliseum activity to the City general ledger.

Finding 2022-003 - Reporting (Noncompliance and Material Weakness)

Management concurs. The City will ensure responsible personnel has a clear understanding of the reporting guidance including what constitutes a subrecipient. The City will implement policies and procedures to monitor and review all reports prepared and submitted by the Grants Department.

Contact:

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Summary Schedule of Prior Audit 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.

Status: Corrective action taken

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.

Status: Corrective action taken

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.

Status: Repeat finding. See Finding 2022-001.



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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.

Status: Corrective action taken

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 has been completed subsequent to 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.

Status: Corrective action taken