

Certified Public Accountants
& Consultants



City of Montgomery, Alabama
September 30, 2023
Single Audit Report

**City of Montgomery, Alabama
Single Audit Report
September 30, 2023**

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City of Montgomery, Alabama
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023

<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 FY23	\$ 107,139	
Total U.S. Department of Agriculture			<u>107,139</u>	
U.S. Department of Housing and Urban Development				
Direct Program				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-01-0007	6,800	\$ 6,800
Community Development Block Grants/Entitlement Grants	14.218	CV B.19.CV	566	
Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-01-0007	67,504	60,566
Community Development Block Grants/Entitlement Grants	14.218	B-21-MC-01-0007	414,894	414,894
Community Development Block Grants/Entitlement Grants	14.218	B-22-MC-01-0007	554,269	249,744
Community Development Block Grants/Entitlement Grants	14.218	B-23-MC-01-0007	59,403	
Total CDBG - Entitlement Grants Cluster			<u>1,103,436</u>	<u>732,004</u>
Emergency Solutions Grants Program	14.231	ESG-CV	31,339	31,339
Emergency Solutions Grants Program	14.231	ESG-CV2	169,997	107,694
Emergency Solutions Grants Program	14.231	E-22-MC-01-0005	140,021	129,020
Emergency Solutions Grants Program	14.231	E-23-MC-01-0007	13,677	13,677
Total Emergency Solutions Grants Program			<u>355,034</u>	<u>281,730</u>
HOME Investment Partnerships Program	14.239	M-20-MC-01-0204	36,032	34,300
HOME Investment Partnerships Program	14.239	M-21-MC-01-0204	94,162	8,902
HOME Investment Partnerships Program	14.239	M-22-MC-01-0204	59,259	24,222
HOME Investment Partnerships Program	14.239	M-15-MC-01-0204	4,824	4,824
HOME Investment Partnerships Program	14.239	M-18-MC-01-0204	10,203	10,203
Total HOME Investment Partnerships Program			<u>204,480</u>	<u>82,451</u>
Total U.S. Department of Housing and Urban Development			<u>1,662,950</u>	<u>1,096,185</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, 2023

<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 Justice				
Direct Program				
Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0655	\$ 211,644	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2020-DJ-BX-0295	67,375	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA21GG01131	30,795	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA22GG02112	93,704	\$ 48,127
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>191,874</u>	<u>48,127</u>
Total U.S. Department of Justice			<u>403,518</u>	<u>48,127</u>
U.S. Department of Transportation				
Direct Program				
Federal Transit Cluster				
Federal Transit Formula Grants	20.507	AL-2019-001-01	451	
Federal Transit Formula Grants	20.507	AL-2019-013-00	6,863	
Federal Transit Formula Grants	20.507	AL-2021-003-00	3,000,987	
Federal Transit Formula Grants	20.507	AL-2020-020-00	229,600	
Federal Transit Formula Grants	20.507	AL-2022-029-00	268,000	
Federal Transit Formula Grants	20.507	AL-2023-16-00	93,968	
Federal Transit Formula Grants	20.507	AL-2023-018	1,905,607	
Total Federal Transit Formula Grants			<u>5,505,476</u>	
Bus and Bus Facilities Formula & Discretionary Programs	20.526	AL-34-0005-00	196,403	
Total Federal Transit Cluster			<u>5,701,879</u>	
Transit Services Programs Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	AL-2017-021-00	10,976	
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	AL-2018-012-00	16,844	
Total Transit Services Programs Cluster			<u>27,820</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, 2023

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	20.205	MPF/2023 UPWP	\$ 447,249	
Highway Planning and Construction	20.205	STPMN-5116(251)	30,923	
Highway Planning and Construction	20.205	STPAA-7730(600)	5,347	
Highway Planning and Construction	20.205	STPMN5114(254)	180,419	
Highway Planning and Construction	20.205	STPMN-5118(255)	3,273	
Highway Planning and Construction	20.205	TAPMN-TA21(936)	2,800	
Highway Planning and Construction	20.205	TAPAA-TA21(914)	232,450	
Highway Planning and Construction	20.205	IAR-051-000-014	76,883	
Highway Planning and Construction	20.205	STPMN-7701(602)	12,268	
Highway Planning and Construction	20.205	IAR-051-000-017	431,618	
Highway Planning and Construction	20.205	IAR-051-000-016	1,090,130	
Highway Planning and Construction	20.205	IAR-051-000-018	753,960	
Highway Planning and Construction	20.205	TAPAA-TA23 (931	12,920	
Highway Planning and Construction	20.205	IAR-051-000-019	206,976	
Highway Planning and Construction	20.205	STPAA-7729(600)	49,375	
Total Highway Planning and Construction			<u>3,536,591</u>	
Total U.S. Department of Transportation			<u>9,266,290</u>	
U.S. Department of the Treasury				
Direct Program				
Coronavirus State and Local Fiscal Recovery Funds	21.027		12,341,168	
Total U.S. Department of the Treasury			<u>12,341,168</u>	
Federal Communications Commission				
Direct Program				
Affordable Connectivity Outreach Grant Program	32.011	ACOGP2340124	36,563	
Total Federal Communications Commission			<u>36,563</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, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Contract Number	Federal Expenditures	Subrecipient Expenditures
Institute of Museum and Library Services				
Passed through the Alabama Public Library Service				
Grants to States	45.310		\$ 45,000	
Total Institute of Museum and Library Services			<u>45,000</u>	
U.S. Department of Health and Human Services				
Direct Program				
Community Programs to Improve Minority Health	93.137		<u>1,375,324</u>	\$ 603,124
Passed through Alabama Department of Public Health				
Public Health Emergency Preparedness	93.069	C20115214	60,029	
Public Health Emergency Preparedness	93.069	C30116179	<u>21,443</u>	
Total Public Health Emergency Preparedness			<u>81,472</u>	
Passed through Alabama Department of Public Health				
Activities to Support State, Tribal, Local and Territorial (STLT) Health	93.391	NH75OT000104010	<u>501,467</u>	<u>50,256</u>
Total U.S. Department of Health and Human Services			<u>1,958,263</u>	<u>653,380</u>
U.S. Department of Homeland Security				
Direct Program				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2017FH00199	<u>2,016,924</u>	
Passed through Alabama Department of Emergency Management				
Emergency Management Performance Grants	97.042	22EMPG	<u>76,080</u>	
Passed through Alabama Law Enforcement Agency				
Homeland Security Grant Program	97.067	2021-FIL-004	<u>32,305</u>	
Total U.S. Department of Homeland Security			<u>2,125,309</u>	
Total Expenditures of Federal Awards			<u>\$ 27,946,200</u>	<u>\$ 1,797,692</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, 2023

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, 2023, 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 26, 2024. 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 and 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.

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 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be material weaknesses.

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.

A handwritten signature in black ink that reads "Jackson Thornton & Co. PC".

Montgomery, Alabama
March 26, 2024

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, 2023. 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, 2023.

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 items 2023-003, 2023-005, 2023-006, and 2023-007. 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 and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-003 and 2023-006 to be material weaknesses.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-004, 2023-005, and 2023-007 to be significant deficiencies.

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 26, 2024, 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.

A handwritten signature in black ink that reads "Jackson Thornton & Co. PC".

Montgomery, Alabama
May 30, 2024

City of Montgomery, Alabama
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

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)? Yes X 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)? X Yes 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
20.507/20.526	Federal Transit Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds
93.137	Community Programs to Improve Minority Health Grant Program
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)

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, 2023

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 2023-001 - 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 - Amounts from the Water Works & Sanitary Sewer Board were not properly reported, resulting in material adjustments to the financial statements. Charges for services were understated by \$2,766,891.

Cause - The City did not reconcile receivables on a monthly basis to ensure that errors and/or adjustments were identified and corrected in a timely manner, nor did they identify a consistent revenue stream was significantly less than the prior year balance.

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 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.

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

Finding 2023-002 - 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 were not in place to ensure proper recording of property held for resale.

Effect - The City recorded the purchase of property held for resale as an expenditure instead of an asset. Property held for resale was understated by \$1,089,423 and expenditures were overstated by \$1,089,423.

Cause - The activity was recorded, but not in the proper account.

Recommendation - The City should implement policies and procedures over the recording of infrequent transactions, such as the purchase of property held for resale. Infrequent transactions should be reviewed by someone independent of the preparer to ensure amounts are properly recorded.

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, 2023

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 2023-003 - 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.

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 - The following reporting errors were identified:

- For the reporting period ended September 30, 2023, current expenditures of \$2,138,225 were excluded from the report.
- For the reporting period ended September 30, 2023, cumulative expenditures were understated by \$4,286,504.
- For the reporting period ended September 30, 2023, there were subrecipients listed on the report that were not true subrecipients. The entities incorrectly listed as subrecipients had subawards totaling \$7,098,989 incorrectly reported on the report.
- There were four reporting periods during the fiscal year under audit. The reports for two out of the four reporting periods were not submitted timely. The report for the period October to December 2022 was due on January 31, 2023 but was not submitted until February 28, 2023. The report for the period April to June 2023 was due on July 31, 2023, but it was not submitted until August 3, 2023.
- The City reported that they calculated their Actual General Revenue using fiscal year amounts while the City actually used calendar year amounts to calculate their Actual General Revenue.
- Six out of the nine projects reported have expected capital expenditures. Out of those six, four reported expected or actual capital expenditures of over \$1,000,000 and required written justification of capital expenditures. Two of those four projects did not have written justification of capital expenditures.

City of Montgomery, Alabama
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

Cause - The reporting errors attributed to a lack of understanding/interpretation of the reporting guidelines by the responsible personnel.

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

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.

Finding 2023-004 - Procurement and Suspension and Debarment (Significant Deficiency)

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

Criteria - 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.

Per the City's Ethics and Fiscal Policy and Procedures Manual, all contracts that create a commitment between the City and another party are to be routed from the originating department through the appropriate departments for signature approval prior to execution of the agreement by the Mayor. The signatures should be listed on the pre-numbered routing sheet obtained from the Finance Department. The signatures should include the appropriate individuals: department head, Director of Finance, legal department, Chief of Staff, Mayor, and City Clerk. This policy is designed to prevent unauthorized commitments and ensure compliance with procurement regulations.

Condition - The City entered into a contract with a consulting firm which obligated the City to pay a monthly fee of \$20,668 for a period of two years. Instead of following the typical contract approval, the contract was only signed by one individual.

Effect - The failure to obtain the other approvals undermines the internal controls established by the City's procurement policy. This increases the risk of unauthorized or improper contractual commitments and potentially exposes the city to legal and financial liabilities. Additionally, it diminishes the accountability and transparency of the procurement process.

Cause - The deviation from the established procurement procedure appears to be due to a lack of awareness and oversight. The Mayor assumed sole responsibility for contract execution, without seeking the necessary additional approval. There may also be insufficient training or reminders regarding the contract routing requirement.

Recommendation - The City should reinforce its procurement policies through regular training and clear communication to all relevant staff members. Specifically, the importance of using a contract routing sheet and obtaining all required signatures on contracts should be emphasized. Additionally, implementing a periodic review process to ensure compliance with this policy can help prevent future occurrences. Steps should also be taken to review past contracts for similar issues and take corrective action where necessary.

Views of Responsible Officials - The City agrees with the finding. The City will implement additional review procedures over contract approvals.

City of Montgomery, Alabama
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

Finding 2023-005 - Reporting (Noncompliance and Significant Deficiency)

Identification of the Federal Program - Community Programs to Improve Minority Health Grant Program
- Assistance Listing Number 93.137

Criteria - Financial reports are required to be submitted within 30 days after the end of each quarter in which the grant is open.

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.

Effect - The financial reports for quarters one and two were not submitted within 30 days after quarters end.

Cause - The City's policies and procedures over federal award reporting were not adequate.

Recommendation - The City should strengthen its policies and procedures related to federal award reporting to comply with reporting requirements.

Views of Responsible Officials - The City agrees with the finding. The City will implement additional oversight over the timely preparation and submittal of required grant reporting documents.

Finding 2023-006 - Subrecipient Monitoring (Noncompliance and Material Weakness)

Identification of the Federal Program - Community Programs to Improve Minority Health Grant Program-
Assistance Listing Number 93.137

Criteria - Per 2 CFR 200.332, *Requirements for Pass-Through Entities*, the City is required to monitor the subrecipients activities to ensure that the grant funds are used for authorized purposes by reviewing financial and performance reports that were required by the City. The City was also required by 2 CFR 200.332 to verify that each of their subrecipients had a single audit performed if their federal expenditures exceeded \$750,000.

In the Notice of Award, the Department of Health and Human Services required the City to create and provide to the Department a subrecipient monitoring plan as well as use that plan to monitor each of the City's subrecipients. In the subrecipient monitoring plan, the City was required to perform the following steps:

- Regularly communicate at least once a month with subrecipients to ensure that the project is being carried out as proposed and according to schedule.
- Review and approve periodic technical/performance reports.
- Review and approve subrecipient invoices.
- Monitor general rate of expenditures and implementation of activities.
- Review each subrecipient monthly through the subrecipients preparation of the City's Subrecipient Desk Review form.
- Perform an annual review for each subrecipient through the preparation of the Annual Subrecipient Field Review form using the monthly desk review forms.

City of Montgomery, Alabama
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

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 subrecipient monitoring and appropriate review by the City. The City did not effectively monitor subrecipient activities to ensure the proper utilization of grant funds. There was a lack of documented evidence demonstrating the monitoring of subrecipients.

The City also failed to verify whether each of their subrecipients met the threshold of \$750,000 in federal expenditures and subsequently underwent a single audit. There is no documented evidence indicating that the City systematically reviewed the subrecipient expenditures to ensure compliance with this requirement.

Effect - Without proper documentation and monitoring, there is an increased likelihood of financial mismanagement, misuse of funds, and noncompliance with grant terms and regulations. Additionally, the absence of adequate records impedes transparency and accountability in the use of federal funds. This deficiency also may result in undetected instances of subrecipients failing to undergo required single audits.

Cause - The absence of robust monitoring procedures may stem from insufficient staff training on federal grant requirements, a lack of awareness regarding the importance of maintaining accurate records and conducting thorough monitoring of subrecipient activities, a lack of established processes for reviewing financial and performance reports, or inadequate internal controls. Additionally, there may be a lack of clear communication and accountability regarding subrecipient monitoring roles and responsibilities.

Recommendation - The City should establish and enforce comprehensive subrecipient monitoring protocols. This includes developing standardized monitoring procedures, providing staff training on monitoring requirements, allocating sufficient resources for monitoring activities, and implementing mechanisms for regular review and documentation of monitoring efforts. By strengthening subrecipient monitoring practices, the City can mitigate risks, ensure compliance with grant requirements, and safeguard the effective utilization of grant funds.

Views of Responsible Officials - The City agrees with the finding. The City will implement additional subrecipient monitoring procedures.

Finding 2023-007 - Reporting (Noncompliance and Significant Deficiency)

Identification of the Federal Program - Staffing for Adequate Fire and Emergency Response (SAFER) - Assistance Listing Number 97.083

Criteria - Financial reports are required to be submitted each July 30 (for period January 1 - June 30) and January 31 (for period July 1 - December 31). The last report is required to be submitted no later than 90 days after the end of the performance period.

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.

Effect - The financial report for the period July 1, 2022 - December 31, 2022 was not submitted timely.

Cause - The City's policies and procedures over federal award reporting were not adequate.

City of Montgomery, Alabama
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

Recommendation - The City should strengthen its policies and procedures related to federal award reporting to comply with reporting requirements.

Views of Responsible Officials - The City agrees with the finding. The City will implement additional oversight over the timely preparation and submittal of required grant reporting documents.



Betty P. Beville
Director of Finance

Steven L. Reed
Mayor

Montgomery City Council Members

Charles W. Jinright - 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

Corrective Action Plan

Finding 2023-001 - 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 - Amounts from the Water Works & Sanitary Sewer Board were not properly reported, resulting in material adjustments to the financial statements. Charges for services were understated by \$2,766,891.

Cause - The City did not reconcile receivables on a monthly basis to ensure that errors and/or adjustments were identified and corrected in a timely manner, nor did they identify a consistent revenue stream was significantly less than the prior year balance.

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 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.

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

Corrective Action Plan - 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 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.

Finding 2023-002 - 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 were not in place to ensure proper recording of property held for resale.

Effect - The City recorded the purchase of property held for resale as an expenditure instead of an asset. Property held for resale was understated by \$1,089,423 and expenditures were overstated by \$1,089,423.

Cause - The activity was recorded, but not in the proper account.

Recommendation - The City should implement policies and procedures over the recording of infrequent transactions, such as the purchase of property held for resale. Infrequent transactions should be reviewed by someone independent of the preparer to ensure amounts are properly recorded.

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

Corrective Action Plan - Management concurs. The City will implement policies and procedures over the recording of infrequent transactions, such as the purchase of property held for resale. Infrequent transactions will be reviewed by someone independent of the preparer to ensure amounts are properly recorded.

Finding 2023-003 - 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.

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 - The following reporting errors were identified:

- For the reporting period ended September 30, 2023, current expenditures of \$2,138,225 were excluded from the report.
- For the reporting period ended September 30, 2023, cumulative expenditures were understated by \$4,286,504.
- For the reporting period ended September 30, 2023, there were subrecipients listed on the report that were not true subrecipients. The entities incorrectly listed as subrecipients had subawards totaling \$7,098,989 incorrectly reported on the report.
- There were four reporting periods during the fiscal year under audit. The reports for two out of the four reporting periods were not submitted timely. The report for the period October to December 2022 was due on January 31, 2023 but was not submitted until February 28, 2023. The report for the period April to June 2023 was due on July 31, 2023, but it was not submitted until August 3, 2023.
- The City reported that they calculated their Actual General Revenue using fiscal year amounts while the City actually used calendar year amounts to calculate their Actual General Revenue.
- Six out of the nine projects reported have expected capital expenditures. Out of those six, four reported expected or actual capital expenditures of over \$1,000,000 and required written justification of capital expenditures. Two of those four projects did not have written justification of capital expenditures.

Cause - The reporting errors attributed to a lack of understanding/interpretation of the reporting guidelines by the responsible personnel.

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

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.

Corrective Action Plan - Management concurs. The City will ensure responsible personnel has a clear understanding of the reporting guidance. The City will implement policies and procedures to monitor and review all reports prepared and submitted by the Grants Department or its designee.

Finding 2023-004 - Procurement and Suspension and Debarment (Significant Deficiency)

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

Criteria - 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.

Per the City's Ethics and Fiscal Policy and Procedures Manual, all contracts that create a commitment between the City and another party are to be routed from the originating department through the appropriate departments for signature approval prior to execution of the agreement by the Mayor. The signatures should be listed on the pre-numbered routing sheet obtained from the Finance Department. The signatures should include the appropriate individuals: department head, Director of Finance, legal department, Chief of Staff, Mayor, and City Clerk. This policy is designed to prevent unauthorized commitments and ensure compliance with procurement regulations.

Condition - The City entered into a contract with a consulting firm which obligated the City to pay a monthly fee of \$20,668 for a period of two years. Instead of following the typical contract approval, the contract was only signed by one individual.

Effect - The failure to obtain the other approvals undermines the internal controls established by the City's procurement policy. This increases the risk of unauthorized or improper contractual commitments and potentially exposes the city to legal and financial liabilities. Additionally, it diminishes the accountability and transparency of the procurement process.

Cause - The deviation from the established procurement procedure appears to be due to a lack of awareness and oversight. The Mayor assumed sole responsibility for contract execution, without seeking the necessary additional approval. There may also be insufficient training or reminders regarding the contract routing requirement.

Recommendation - The City should reinforce its procurement policies through regular training and clear communication to all relevant staff members. Specifically, the importance of using a contract routing sheet and obtaining all required signatures on contracts should be emphasized. Additionally, implementing a periodic review process to ensure compliance with this policy can help prevent future occurrences. Steps should also be taken to review past contracts for similar issues and take corrective action where necessary.

Views of Responsible Officials - The City agrees with the finding. The City will implement additional review procedures over contract approvals.

Corrective Action Plan - Management concurs. The City will reinforce its procurement policies through regular training and clear communication to all relevant staff members. Specifically, the importance of using a contract routing sheet and obtaining all required signatures on contracts will be emphasized. Additionally, a periodic review process to ensure compliance with this policy will be implemented to help prevent future occurrences. The City will also take steps to review past contracts for similar issues and take corrective action when necessary.

Finding 2023-005 - Reporting (Noncompliance and Significant Deficiency)

Identification of the Federal Program - Community Programs to Improve Minority Health Grant Program - Assistance Listing Number 93.137

Criteria - Financial reports are required to be submitted within 30 days after the end of each quarter in which the grant is open.

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.

Effect - The financial reports for quarters one and two were not submitted within 30 days after quarters end.

Cause - The City's policies and procedures over federal award reporting were not adequate.

Recommendation - The City should strengthen its policies and procedures related to federal award reporting to comply with reporting requirements.

Views of Responsible Officials - The City agrees with the finding. The City will implement additional oversight over the timely preparation and submittal of required grant reporting documents.

Corrective Action Plan - Management concurs. The City will strengthen its policies and procedures related to federal award reporting to comply with reporting requirements.

Finding 2023-006 - Subrecipient Monitoring (Noncompliance and Material Weakness)

Identification of the Federal Program - Community Programs to Improve Minority Health Grant Program- Assistance Listing Number 93.137

Criteria - Per 2 CFR 200.332, *Requirements for Pass-Through Entities*, the City is required to monitor the subrecipients activities to ensure that the grant funds are used for authorized purposes by reviewing financial and performance reports that were required by the City. The City was also required by 2 CFR 200.332 to verify that each of their subrecipients had a single audit performed if their federal expenditures exceeded \$750,000.

In the Notice of Award, the Department of Health and Human Services required the City to create and provide to the Department a subrecipient monitoring plan as well as use that plan to monitor each of the City's subrecipients. In the subrecipient monitoring plan, the City was required to perform the following steps:

- Regularly communicate at least once a month with subrecipients to ensure that the project is being carried out as proposed and according to schedule.
- Review and approve periodic technical/performance reports.
- Review and approve subrecipient invoices.
- Monitor general rate of expenditures and implementation of activities.
- Review each subrecipient monthly through the subrecipients preparation of the City's Subrecipient Desk Review form.
- Perform an annual review for each subrecipient through the preparation of the Annual Subrecipient Field Review form using the monthly desk review forms.

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 subrecipient monitoring and appropriate review by the City. The City did not effectively monitor subrecipient activities to ensure the proper utilization of grant funds. There was a lack of documented evidence demonstrating the monitoring of subrecipients.

The City also failed to verify whether each of their subrecipients met the threshold of \$750,000 in federal expenditures and subsequently underwent a single audit. There is no documented evidence indicating that the City systematically reviewed the subrecipient expenditures to ensure compliance with this requirement.

Effect - Without proper documentation and monitoring, there is an increased likelihood of financial mismanagement, misuse of funds, and noncompliance with grant terms and regulations. Additionally, the absence of adequate records impedes transparency and accountability in the use of federal funds. This deficiency also may result in undetected instances of subrecipients failing to undergo required single audits.

Cause - The absence of robust monitoring procedures may stem from insufficient staff training on federal grant requirements, a lack of awareness regarding the importance of maintaining accurate records and conducting thorough monitoring of subrecipient activities, a lack of established processes for reviewing financial and performance reports, or inadequate internal controls. Additionally, there may be a lack of clear communication and accountability regarding subrecipient monitoring roles and responsibilities.

Recommendation - The City should establish and enforce comprehensive subrecipient monitoring protocols. This includes developing standardized monitoring procedures, providing staff training on monitoring requirements, allocating sufficient resources for monitoring activities, and implementing mechanisms for regular review and documentation of monitoring efforts. By strengthening subrecipient monitoring practices, the City can mitigate risks, ensure compliance with grant requirements, and safeguard the effective utilization of grant funds.

Views of Responsible Officials - The City agrees with the finding. The City will implement additional subrecipient monitoring procedures.

Corrective Action Plan - Management concurs. The City will establish and enforce comprehensive subrecipient monitoring protocols. This includes developing standardized monitoring procedures, providing staff training on monitoring requirements, allocating sufficient resources for monitoring activities, and implementing mechanisms for regular review and documentation of monitoring efforts. By strengthening subrecipient monitoring practices, the City can mitigate risks, ensure compliance with grant requirements, and safeguard the effective utilization of grant funds.

Finding 2023-007 - Reporting (Noncompliance and Significant Deficiency)

Identification of the Federal Program - Staffing for Adequate Fire and Emergency Response (SAFER) - Assistance Listing Number 97.083

Criteria - Financial reports are required to be submitted each July 30 (for period January 1 - June 30) and January 31 (for period July 1 - December 31). The last report is required to be submitted no later than 90 days after the end of the performance period.

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.

Effect - The financial report for the period July 1, 2022 - December 31, 2022 was not submitted timely.

Cause - The City's policies and procedures over federal award reporting were not adequate.

Recommendation - The City should strengthen its policies and procedures related to federal award reporting to comply with reporting requirements.

Views of Responsible Officials - The City agrees with the finding. The City will implement additional oversight over the timely preparation and submittal of required grant reporting documents.

Corrective Action Plan - Management concurs. The City will strengthen its policies and procedures related to federal award reporting to comply with reporting requirements.

Contact:

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Betty P. Beville
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City of Montgomery, Alabama

Summary Schedule of Prior Audit Findings

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

Cause/Effect: 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. 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.

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

Status: Corrective action taken.

Finding 2022-002 Garrett Coliseum (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.

Cause/Effect: The activity was compiled by an outside accounting firm, but was not included in the City's records. Garrett Coliseum activity was not properly reported. Garrett Coliseum change in net position was understated by \$73,005.

Status: Corrective action taken.

Finding 2022-003 Reporting (Noncompliance and Material Weakness)

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.

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



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

Status: Repeat finding. See Finding 2023-003