



City of Talladega

UNIFORM GUIDANCE SUPPLEMENTARY FINANCIAL REPORT

September 30, 2021



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Manager and City Council
City of Talladega
Talladega, Alabama

Report on Compliance for Each Major Federal Program

We have audited City of Talladega'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, 2021. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

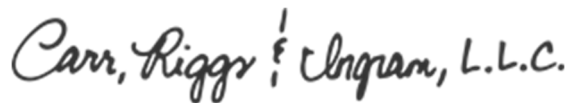
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses. However, material weaknesses may exist that have not been identified.

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 aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 28, 2023, which contained an unmodified opinion on those

financial statements. Our audit was conducted for the purpose of forming an opinion 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 "Carr, Riggs & Ingram, L.L.C." in a cursive, flowing script.

CARR, RIGGS & INGRAM, LLC

Enterprise, Alabama
June 28, 2023

City of Talladega
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP Unmodified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiencies identified not considered to be material weaknesses? None noted
 - c. Noncompliance material to the financial statements noted? No

Federal Awards

1. Type of auditors' report issued on compliance for major programs Unmodified
2. Internal control over major programs:
 - a. Material weaknesses identified? No
 - b. Significant deficiencies identified not considered to be material weaknesses? None noted
3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? No

4. Identification of major programs

<u>Assistance Listing Number (ALN)</u>	<u>Federal Program</u>
21.019	COVID-19 Coronavirus Relief Fund

5. Dollar threshold used to distinguish between type A and type B programs \$750,000
6. Auditee qualified as low-risk under 2CFR 200.520 No

Section II - Financial Statements Findings

Item 2021-001 Financial Reporting Policies and Procedures

Condition – Sufficient policies and procedures were not in place during the year to ensure the timely reconciliation of accounts. There is also a need for purchasing manual to be updated for changes due to Uniform Guidance and the Alabama Bid Law changes subsequent to the last revision of manual.

City of Talladega
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

Criteria – Government Auditing Standards Section A1.08 (d) states that management is responsible for “establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulation; and ensuring that management and financial information is reliable and properly reported;...”

Cause – Internal processes and controls, such as financial close and reconciliation procedures, were not sufficient to detect needed adjustments to multiple general ledger accounts.

Effect – Multiple general ledger accounts and financial statement line items required adjustment or reclassification in order for the financial statements to be presented in accordance with generally accepted accounting principles.

Recommendation – We recommend that management establish a formal financial close process, including the timely preparation and review of various reconciliations of account balances and schedules, and consider additional training for personnel responsible for financial reporting.

Management’s Response – The City’s Finance Director will implement a formal financial close process.

Item 2021-002 Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

Condition – Management was unable to prepare an accurate and complete schedule of expenditures of federal awards.

Criteria – Under 2 CFR 200.510(b), the auditee must prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee’s financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended.

Cause – Turnover of management during and subsequent to the fiscal year end created difficulties in ensuring that all federal awards were evaluated and a complete SEFA could be prepared.

Effect – The auditor assisted management in preparing the SEFA based upon review of the City’s records and inquiries of management.

Recommendation – We recommend management implement procedures to ensure federal expenditures are properly captured and reported in the SEFA.

Management’s Response – Management has reviewed the requirements of 2 CFR Section 200.510 and 2 CFR Section 200.502 relating to the preparation of the SEFA. Management will implement additional procedures to ensure federal expenditures are properly captured and reported in the SEFA.

City of Talladega
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

Section III - Federal Award Findings and Questioned Costs

No matters were reported.



CITY OF TALLADEGA

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Corrective Action Plan

The City of Talladega, Alabama respectfully submits the following corrective action plan for the year ended September 30, 2021.

Carr, Riggs & Ingram, LLC
1117 Boll Weevil Circle
Enterprise, AL 36330

The findings from the September 30, 2021 schedule of findings and questioned costs is discussed below. The finding is numbered consistent with the number assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

2021-001 Financial Reporting Policies and Procedures

Recommendation: Government Auditing Standards Section A1.08 (d) states that management is responsible for “establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulation; and ensuring that management and financial information is reliable and properly reported;...” Sufficient policies and procedures were not in place during the year to ensure the timely reconciliation of accounts. There is also a need for purchasing manual to be updated for changes due to Uniform Guidance and the Alabama Bid Law changes subsequent to the last revision of manual. We recommend that the new Finance Director, Shaneeka Phillips, establish a formal financial close process, including the timely preparation and review of various reconciliations of account balances and schedules, and consider additional training for personnel responsible for financial reporting.

Action Taken: Management has reviewed the requirements of Government Auditing Standards Section A1.08 (d) relating to establishing and maintaining effective internal controls and agrees with the recommendation. The new Finance Director will implement a formal financial close process. The City anticipates having the corrective action fully implemented by March 31, 2024.

2021-002 Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

Recommendation: Under 2 CFR 200.510(b), the auditee must prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee’s financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. Turnover of management during and subsequent to the fiscal year end created difficulties in ensuring that all federal awards were evaluated and a complete SEFA could be prepared. We recommend management implement procedures to ensure federal expenditures are properly captured and reported in

the SEFA. The City Manager, Seddrick Hill, should maintain a complete listing of federal awards to help facilitate the preparation of the SEFA and reporting requirements.

Action Taken: Management has reviewed the requirements of 2 CFR Section 200.510 and 2 CFR Section 200.502 relating to the preparation of the SEFA and agrees with the recommendation. Management will implement additional procedures, and effective immediately, the City Manager will maintain a complete listing of federal awards to ensure federal expenditures are properly captured and reported in the SEFA. The City anticipates having this corrective action fully implemented by March 31, 2024.

FINDINGS – FEDERAL AWARDS PROGRAM AUDITS

No such findings in the current year.

**City of Talladega
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2021**

2020-001 Repeat Finding (See 2021-002)

City of Talladega

Schedule of Expenditures of Federal Awards

For the year ended September 30, 2021

Federal Grantor/Pass-Through Grantor Program Title	Federal Assistance Listing Number	Grant/ Award Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Commerce				
<i>Direct awards</i>				
Investments for Public Works and Economic Development Facilities*	11.300	04-01-07299	\$ -	\$ 85,091
U.S. Department of Justice				
<i>Direct awards</i>				
Bulletproof Vest Partnership Program	16.607	2020-BU-BX-2002-1266	-	6,221
U.S. Department of the Treasury				
<i>Passed through the State of Alabama</i>				
COVID-19 - Coronavirus Relief Fund	21.019	n/a	-	636,477
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	n/a	-	467,000
Total U.S. Department of the Treasury			-	1,103,477
National Endowment for the Humanities				
<i>Passed through Alabama Public Library Service</i>				
Grants to States	45.310	n/a	-	2,500
U.S. Department of Agriculture				
<i>Passed through the State Department of Education</i>				
Summer Food Service Program for Children**	10.559	AGH-0000	-	168,878
U.S. Department of Homeland Security				
<i>Direct awards</i>				
Assistance to Firefighters Grant	97.044	EMW-2019-FG-05217	-	68,910
<i>Passed through the Alabama Emergency Management Agency</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 4573-DR-AL	-	85,493
Total U.S. Department of Homeland Security				154,403
Total Federal Awards			\$ -	\$ 1,520,570

*Economic Development Cluster

**Child Nutrition Cluster

See accompanying notes to schedule of expenditures of federal awards.

City of Talladega

Notes to Schedule of Expenditures of Federal Awards

Note 1: BASIS OF ACCOUNTING

This Schedule of Expenditures of Federal Awards (the “Schedule”) was prepared on the modified accrual basis of accounting. The modified accrual basis differs from the full accrual basis of accounting in that expenditures for property and equipment are expensed when incurred, rather than being capitalized and depreciated over their useful lives, and expenditures for the principal portion of debt service are expensed when incurred, rather than being applied to reduce the outstanding principal portion of debt, which conforms to the basis of reporting to grantors for reimbursement under the terms of the City of Talladega’s (the “City”) federal grants.

Note 2: DE MINIMIS

The City has elected to not use the 10% de Minimis indirect cost rate.

Note 3: BASIS OF PRESENTATION

The accompanying Schedule summarizes the federal expenditures of the City under programs of the federal government for the year ended September 30, 2021. The amount reported as federal expenditures were obtained from the City’s general ledger. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net margins and cash flows of the City.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass through entities. Payments received for goods or services provided as a vendor do not constitute federal awards for purposes of the Schedule. The City has obtained Assistance Listing Numbers (ALN) to ensure that all programs have been identified in the Schedule. ALN have been appropriately listed by applicable programs. Federal programs with different ALNs that are closely related because they share common compliance requirements are defined as a cluster by the Uniform Guidance. Two clusters are separately identified in the Schedule and are the following.

Child Nutrition Cluster – Includes awards that assist States in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential child care institutions, and summer recreation programs; and encourage the domestic consumption of nutritious agricultural commodities.

Economic Development Cluster – Includes awards that provide direct payments to state, territorial, tribal, and certain eligible local governments to cover (1) necessary expenditures incurred due to the public health emergency with respect to Coronavirus Disease 2019; (2) costs that were not accounted for in the government’s most recently approved budget as of March 27, 2020; and (3) costs that were incurred during the period that begins on March 1, 2020 and ends on December 31, 2021.

City of Talladega

Notes to Schedule of Expenditures of Federal Awards

Note 4: RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS

The amounts reflected in the financial reports submitted to the awarding federal and/or pass-through agency and the Schedule may differ. Some of the factors that may account for any difference include the following:

- The City's fiscal year end may differ from the program's year end.
- Accruals recognized in the Schedule, because of year end procedures, may not be reported in the program financial reports until the next program reporting period.
- Fixed asset purchases and the resultant depreciation charges are recognized as property and equipment, net in the City's financial statements and as expenditures in the program financial reports.

Note 5: FEDERAL PASS-THROUGH FUNDS

The City is the sub-recipient of federal funds that have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as "pass-through" are considered direct and will be designated accordingly.

Note 6: CONTINGENCIES

Grant monies received and disbursed by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon experience, the City does not believe that such disallowance, if any, would have a material effect on the financial position of the City. As of September 30, 2021, there were no known material questioned or disallowed costs as a result of grant audits in process or completed.

Note 7: NONCASH ASSISTANCE

The City did not receive any federal noncash assistance for the fiscal year ended September 30, 2021.

Note 8: SUBRECIPIENTS

The City did not provide federal funds to subrecipients for the fiscal year ended September 30, 2021.

Note 9: LOANS AND LOAN GUARANTEES

The City did not have any loans or loan guarantee programs required to be reported on the Schedule.

Note 10: FEDERALLY FUNDED INSURANCE

The City did not have any federally funded insurance required to be reported on the Schedule for the fiscal year ending September 30, 2021.