

CITY OF HOMEWOOD, ALABAMA

Single Audit Report

September 30, 2024

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Mayor and City Council
The City of Homewood, Alabama
Homewood, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Homewood, 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, 2024. 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, 2024.

Basis of 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 (GAAS); 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 the 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.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2024-007, 2024-008 and 2024-009 to be significant deficiencies.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2024-001, 2024-002, 2024-010, 2024-011, 2024-012 and 2024-013.

City of Homewood, Alabama's Response to Findings

Government Auditing Standards requires the auditor to perform 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.

BMSS, LLC

Birmingham, Alabama
June 25, 2025

**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***

To the Mayor and City Council
The City of Homewood, Alabama
Homewood, 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, each major fund and the aggregate remaining fund information of the City of Homewood, Alabama (the City), as of and for the year ended September 30, 2024, 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 25, 2025.

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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2024-001, 2024-002, 2024-003, 2024-004, 2024-005 and 2024-006 to be material weaknesses.

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 GAAS, *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 GAAS, *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 procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2024-014, 2024-015, 2024-016, and 2024-017. Our opinion on each major federal program is not modified with respect to these matters.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be 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 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-014, 2024-015, 2024-016, and 2024-017 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 responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City is also responsible for preparing the corrective action plan to address each audit finding included in our auditors' report. The City's responses and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

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, each major fund and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 25, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 GAAS. 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.

BMSS, LLC

Birmingham, Alabama
June 25, 2025

CITY OF HOMEWOOD, ALABAMA
Schedule of Expenditures of Federal Awards
For the year ended September 30, 2024

Federal Grantor/Pass-Through Agency/ Program Title	Assistance Listing Number	Grant, Contract, or Pass-Through Number	Federal Expenditures
U.S. Department of the Interior			
Pass-through the Alabama Historical Commission			
Historic Preservation Fund Grants-In-Aid	15.904		\$ 1,833
Total U.S. Department of the Interior			1,833
U.S. Department of Transportation			
Pass-through the Alabama Department of Transportation			
Highway Safety Cluster			
State and Community Highway Safety	20.600	CMAQ-TA15(903)	29,476
Total Highway Safety Cluster			29,476
Highway Planning and Construction (Federal- Aid Highway Program)	20.205	TAPBH-TA23 (935)	51,870
Recreational Trails Program	20.219	CMAQ-9082(911)	206,673
Total U.S. Department of Transportation			288,019
U.S. Department of Treasury			
Pass-through the Alabama Department of Treasury			
Coronavirus State and Local Fiscal Recovery Fund - COVID-19	21.027		702,062
Total U.S. Department of Treasury			702,062
Institute of Museum and Library Services			
Pass-through the Alabama Public Library Service			
Grants to States-Library Services and Technology Ac	45.310		10,000
Total Institute of Museum and Library Services			10,000

See notes to schedule of expenditures of federal awards.

CITY OF HOMEWOOD, ALABAMA
Schedule of Expenditures of Federal Awards
For the year ended September 30, 2024
(Continued)

Federal Grantor/Pass-Through Agency/ Program Title	Assistance Listing Number	Grant, Contract, or Pass-Through Number	Federal Expenditures
Other Federal Assistance			
U.S. Department of Justice			
Direct Program			
U.S. Marshals Overtime Reimbursement	n/a		\$ 1,872
Total U.S. Department of Homeland Security			<u>1,872</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,003,786</u></u>

See notes to schedule of expenditures of federal awards.

CITY OF HOMEWOOD, ALABAMA
Notes to the Schedule of Expenditures of Federal Awards
September 30, 2024

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Homewood, Alabama (the City) under programs of the federal government for the year ended September 30, 2024. 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* (Uniform Guidance). 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 assets, or cash flows of the City.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

The City has not elected to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

CITY OF HOMEWOOD, ALABAMA
Schedule of Findings and Questioned Costs
September 30, 2024

SUMMARY OF AUDITORS' RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the City of Homewood, Alabama (the City), were prepared in accordance with GAAP.
2. Material weaknesses in internal control over financial reporting were disclosed during the audit of the financial statements.
3. Significant deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements.
4. Significant deficiencies in internal control over major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the City expresses an unmodified opinion on the major federal program.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in the Schedule of Findings and Questioned Costs.
7. The program tested as a major program included the Coronavirus State and Local Fiscal Recovery Fund (Assistance Listing number 21.027).
8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. The City does not qualify as a low-risk auditee.

FINANCIAL STATEMENT FINDINGS

Finding 2024-001 - Lack of Control over Wire Transfers

Criteria: Management should monitor, review and approve all wire transfers initiated by individuals and vouch amounts posted to the general ledger to ensure accuracy.

CITY OF HOMEWOOD, ALABAMA
Schedule of Findings and Questioned Costs
September 30, 2024
(Continued)

FINANCIAL STATEMENT FINDINGS - CONTINUED

Finding 2024-001 - Continued

Condition: During the audit, we noted that the City Finance Director is able to wire any amount of funds from the City's bank account without authorization. If the bank calls to verify a bank transfer, the bank contacts only the City Finance Director for authorization and approval. During the fiscal year ended September 30, 2024, the City identified instances of fraud, specifically wire transfers, made by the City's former Finance Director from City accounts into bank accounts owned and/or controlled by him totaling \$947,059 as a result of this material weakness.

Cause and effect: Controls that do not involve at least two people increase the risk of fraud or error due to lack of adequate segregation of duties. Unauthorized wire transfers can be made and not timely caught by management.

Recommendation: We recommend that the City implement a procedure whereby the bank confirms all wire transfer transactions with another individual within the City other than the party initiating the transfer.

View of responsible official: The City concurs – see corrective action plan.

Finding 2024-002 - Lack of Control over Master Vendor List

Criteria: The use of a master vendor file improves internal control by limiting opportunities for employee and vendor fraud and preventing duplicate payments to vendors with multiple locations. During the fiscal year ended September 30, 2024, the City identified instances of fraud, specifically wire transfers made by the City's former Finance Director to an unauthorized vendor, a company owned/and or controlled by him, by him totaling \$947,059 as a result of this material weakness.

Condition: During the audit, we noted a lack of control over the City's master vendor file.

Cause and effect: Due to lack of review and approval of vendors, unauthorized payments can be made to vendors not approved or established in the master vendor list.

Recommendation: We recommend that a master vendor file be established and periodically reviewed. In addition, any additions of vendors should be approved by members of management other than the person setting up the vendor.

View of responsible official: The City concurs – see corrective action plan.

CITY OF HOMEWOOD, ALABAMA
Schedule of Findings and Questioned Costs
September 30, 2024
(Continued)

FINANCIAL STATEMENT FINDINGS - CONTINUED

Finding 2024-003 – Multiple internal control findings reported by the Alabama Department of Examiners of Public Accounts

Criteria: The City's financial records are subject to routine review and examination by State and other agencies. The City should demonstrate adherence with policies and procedures and provide evidence that internal controls are designed and operating effectively to ensure compliance with laws and regulations.

Condition: A review was conducted by the Alabama Department of Examiners of Public Accounts (the "Examiners") of the City related to certain financial activities, policies and procedures for the period of October 1, 2021 through March 31, 2024, and the credit card activities of the City for the period of October 1, 2022, through September 30, 2023. The Department also reviewed and evaluated the City's internal controls and its compliance with certain state and local laws.

Cause and effect: During the audit, we obtained a copy of the Examiners report. The report included multiple detailed internal control findings and recommendations.

Recommendation: We recommend that the City address all findings reported in the Examiners report filed January 10, 2025.

View of responsible official: The City does not concur – see corrective action plan.

Finding 2024-004 - Failure to timely reconcile bank accounts

Criteria: Bank accounts should be timely reconciled to City records and outstanding amounts should be appropriately cleared in a timely manner.

Condition: During the audit, we noted that the City was not timely reconciling certain bank accounts and that items listed as outstanding were not clearing or were clearing the bank statement for amounts different than those recorded in the general ledger. The City did not have processes in place to ensure timely completion of the reconciliation or procedures for identifying outstanding items that did not clear in a subsequent period.

Cause and effect: Lack of processes for timely reconciliation of bank accounts leads to delays in detecting items that may indicate fraud or error and delays accurate reporting to management and those charged with governance.

CITY OF HOMEWOOD, ALABAMA
Schedule of Findings and Questioned Costs
September 30, 2024
(Continued)

FINANCIAL STATEMENT FINDINGS - CONTINUED

Finding 2024-004 - Continued

Recommendation: We recommend that the City implements processes to ensure timely completion of bank reconciliations, including verifying outstanding items from month to month and procedures to address items that clear for amounts other than those reported in the accounting records.

View of responsible officials: The City might concur (the term “timely” is not defined) – see corrective action plan.

Finding 2024-005 - Failure to timely reconcile certain balance sheet accounts

Criteria: Receivable, payable and payroll related balance sheet accounts should be timely reconciled to City records and outstanding amounts should be appropriately cleared in a timely manner.

Condition: During the audit, we noted that the City was not timely reconciling certain receivable accounts, payable accounts and payroll-related balance sheet accounts and that accounts showed amounts receivable in error and amounts payable that were never cleared. The City did not have processes in place to ensure timely completion of the reconciliations or procedures for identifying receivables (i.e. health insurance timing), payables and other accrued amounts and that outstanding items were not timely identified and traced to clearing in a subsequent period.

Cause and effect: Lack of processes for timely reconciliation of balance sheet accounts leads to delays in detecting items that may indicate fraud or error and delays accurate reporting to management and those charged with governance.

Recommendation: We recommend that the City implements processes to ensure timely completion of reconciliation of all balance sheet accounts, including verifying outstanding items from month to month.

View of responsible officials: The City does not concur – see corrective action plan.

CITY OF HOMEWOOD, ALABAMA
Schedule of Findings and Questioned Costs
September 30, 2024
(Continued)

FINANCIAL STATEMENT FINDINGS - CONTINUED

Finding 2024-006 - Lack of procedures to address budgetary timing issues

Criteria: The City lacks procedures to address certain budgetary timing issues that arise when prior year expenditures are identified but a purchase order is insufficient or was never created in the year in which the expenditure was incurred.

Condition: During the audit, we noted that the City did not have procedures to record non-budgeted or under-budgeted items in the year in which the expenditures were incurred if the expenditures were identified after the prior year budget had been closed. Invoices for goods and services provided in the prior fiscal year continued to be submitted for payment, even after the budget for the fiscal year had been manually rolled forward by City personnel.

Cause and effect: Lack of processes for cutoff can lead to overspending prior period budgeted amounts or can cause overages in current year budgeted amounts if improper amounts are rolled forward. This can cause inaccurate budget versus actual amounts to be provided to management and those charged with governance.

Recommendation: We recommend that the City implements processes to ensure that budgeted amounts are not rolled forward to the next fiscal year until all outstanding expenditures have been recorded the appropriate fiscal year.

View of responsible officials: The City does not concur – see corrective action plan.

Finding 2024-007 - Failure to timely remit Construction Industry Craft Training (CICT) fee payments to the State of Alabama

Criteria: Amounts collected for CICT fees should be timely reconciled to City records and reported and remitted to the state.

Condition: During the audit, we noted that the City did not have processes in place to ensure timely remittance of reports and amounts collected for the CICT fee to the State of Alabama. The report and corresponding remittance of fees should be made to the Alabama Division of Construction Management by the 20th day of the month following issuance of permits.

Cause and effect: Lack of processes for timely reconciliation and remittance of CICT fees can cause delays in remitting monthly reports and fees to the Alabama Division of Construction Management.

CITY OF HOMEWOOD, ALABAMA
Schedule of Findings and Questioned Costs
September 30, 2024
(Continued)

FINANCIAL STATEMENT FINDINGS - CONTINUED

Finding 2024-007 - Continued

Recommendation: We recommend that the City implements processes to ensure timely filing of reports and remittance of CICT fees.

View of responsible officials: The City concurs – see corrective action plan.

Finding 2024-008 - Lack of documentation for approval of overtime payments

Criteria: Overtime amounts should be properly approved by management and by members of Council if not budgeted.

Condition: During the audit, we noted that the City's former finance director and former City Clerk were both paid overtime amounts, even though both appear to work in an exempt capacity. There was no supporting documentation showing that the overtime amounts paid were approved by management or by members of the Council, if in excess of budgeted amounts.

Cause and effect: Lack of proper authorization of overtime pay can lead to amounts being paid in error or in excess of budgeted amounts.

Recommendation: We recommend that the City implements processes to ensure that all overtime pay is properly authorized and documented.

View of responsible officials: The City concurs – see corrective action plan.

Finding 2024-009 - Inconsistencies in retirement census data

Criteria: Amounts calculated for retiree withholdings and for retirement expense and reported to Retirement Systems of Alabama should agree to amounts reported in the City's accounting records.

CITY OF HOMEWOOD, ALABAMA
Schedule of Findings and Questioned Costs
September 30, 2024
(Continued)

FINANCIAL STATEMENT FINDINGS - CONTINUED

Finding 2024-009 - Continued

Condition: Amounts calculated for retiree withholdings did not agree to amounts remitted to Retirement Systems of Alabama (RSA) reported in its annual checklist. Additionally, we noted an instance where a firefighter had amounts withheld at 7.5% versus the required 8.5%. While amounts are subject to different withholding amounts (i.e. rates for overtime), there is no reconciliation done between what is reported and remitted to RSA and what is reported in the trial balance.

Cause and effect: Lack of processes for timely reconciliation and a lack of review of data provided to RSA can cause errors and inaccurate information to be reported both in the RSA reports and in City reports.

Recommendation: We recommend that the City implements processes to ensure timely reconciliation and review of withholdings, remittances and status of members participating in RSA.

View of responsible officials: The City concurs – see corrective action plan.

Finding 2024-010 - Expenditures in excess of budgeted amounts

Criteria: To ensure compliance with the City's budget, all expenditures should be approved by the City Council and should be reflected in the City's amended budget.

Condition: During the audit, we noted that certain operating expenditures from City's General Fund were in excess of Council final approved budget amounts.

Cause and effect: Lack of processes for timely approval of expenditures and amendments of the budget can cause budget non-compliance, as the City can expend monies in excess of amounts approved by the City Council.

Recommendation: We recommend that the City implements processes to ensure timely approvals of expenditures and amend the budget accordingly.

View of responsible officials: The City does not concur – see corrective action plan.

CITY OF HOMEWOOD, ALABAMA
Schedule of Findings and Questioned Costs
September 30, 2024
(Continued)

FINANCIAL STATEMENT FINDINGS - CONTINUED

Finding 2024-011 - Investment noncompliance

Criteria: All investments of the City should be in compliance with laws and regulations, including those as dictated by the State Code of Alabama Section 11-81-19.

Condition: During the audit, we noted that the City had investments that were not in compliance with the State Code of Alabama Section 11-81-19.

Cause and effect: Lack of communication of compliance requirements with external investment advisors and lack of ongoing monitoring and reviewing types of investments held by the City can lead to noncompliance with investment laws and regulations.

Recommendation: We recommend that the City implements processes to review types of investments held by the City on an ongoing basis to ensure compliance with laws and regulations.

View of responsible officials: The City does not concur – see corrective action plan.

Finding 2024-012 - Financed Equipment Payable noncompliance

Criteria: All debt issued on behalf of the City should be properly authorized and approved by the City Council.

Condition: During the audit, we noted that the City entered into a financed equipment payable agreement with a third party without proper authorization or approval of the Council.

Cause and effect: Lack of communication with management with respect to types of agreements that can be authorized by a department head versus types of agreements (i.e., debt instruments) that require authorization and approval of the City Council noncompliance with debt authorization requirements.

Recommendation: We recommend that the City implements processes to review types of contracts entered into by the City on an ongoing basis to ensure compliance with debt authorization requirements.

View of responsible officials: The City concurs with prejudice – see corrective action plan.

CITY OF HOMEWOOD, ALABAMA
Schedule of Findings and Questioned Costs
September 30, 2024
(Continued)

Finding 2024-013 - Bid law noncompliance

Criteria: All expenditures of the City should be in compliance with laws and regulations, including those as dictated by the State Code of Alabama pertaining to bid law.

Condition: During our audit, we noted that the City was unable to provide adequate support for certain equipment disbursements (in excess of \$30,000) that are subject to bid requirements.

Cause and effect: Lack of communication of bid law requirements to department heads and lack of ongoing monitoring and reviewing types of agreements for expenditures in excess of bid law amounts can lead to noncompliance.

Recommendation: We recommend the City review their process for approving significant disbursements, retention of supporting documentation, and follow bid procedures exactly.

View of responsible officials: The City concurs – see corrective action plan.

CITY OF HOMEWOOD, ALABAMA
Schedule of Findings and Questioned Costs
September 30, 2024
(Continued)

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2024-014

Assistance Listing No.: 21.027

Program Title: Coronavirus State and Local Fiscal Recovery Fund

Name of Federal Awarding Agency: U.S. Department of Treasury

Pass-Through Entity: Alabama Department of Treasury

Federal Award Year: 2021 – deferred to current year

Criteria: The policies and procedures of the City state that invoices must be approved by the department head or an individual who has been given authority by the department head before payment is made (with the exclusion of utilities and other data sensitive billings).

Condition: During our testing of internal control over compliance, we identified two invoices to which approval was not properly documented prior to payment.

Cause and effect: The lack of approval documented on the identified invoices indicates that payments can be made to vendors without being approved by department heads or individuals who have been given such authority by the department head.

Identification of repeat finding: This is not a repeat finding.

Recommendation: The City should follow established policies and procedures concerning obtaining approval prior to payment.

View of responsible officials: The City does not concur – see corrective action plan.

Finding 2024-015

Assistance Listing No.: 21.027

Program Title: Coronavirus State and Local Fiscal Recovery Fund

Name of Federal Awarding Agency: U.S. Department of Treasury

Pass-Through Entity: Alabama Department of Treasury

Federal Award Year: 2021 – deferred to current year

Criteria: According to the Compliance and Reporting Guidance for the Coronavirus State and Local Fiscal Recovery Funds, all recipients are required to submit Project and Expenditure Reports. The City is considered a non-entitlement unit and is therefore required to submit reports on an annual basis and must be submitted to the Department of Treasury by April 30th of each year.

CITY OF HOMEWOOD, ALABAMA
Schedule of Findings and Questioned Costs
September 30, 2024
(Continued)

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - Continued

Finding 2024-015 - Continued

Condition: The City did not submit their Project and Expenditure Report that was due on April 30, 2023 and April 30, 2024.

Cause and effect: The late submission of the Project and Expenditure Report is due to turnover at the City; as well as the fact that adequate internal controls were not established to make sure this report was filed on time. The late submission of the Project and Expenditures Report shows a significant deficiency in the City's internal control structure.

Identification of repeat finding: This is a repeat finding.

Recommendation: The City should strive to submit their Project and Expenditure Report annually by the due date of April 30th each year.

View of responsible officials: The City does not concur – see corrective action plan.

Finding 2024-016

Assistance Listing No.: All

Program Title: All

Name of Federal Awarding Agency: All

Pass-Through Entity: All

Federal Award Year: All

Criteria: Per the Uniform Guidance at 2 CFR 200.320, purchases classified as a "simplified acquisition" are those with an aggregate dollar amount above the micro-purchase threshold but below the simplified acquisition threshold determined by either the State Bid Law or Uniform Guidance; whichever is more restrictive. If "simplified acquisition" procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

Condition: Adequate controls were not in place to ensure that procedures for purchases classified as a "simplified acquisition" are being followed.

Cause and effect: Lack of policies and procedures for purchases that fall under the classification of "simplified acquisition" led to the noncompliance with Uniform Guidance 2 CFR 200.320.

Identification of repeat finding: This is not a repeat finding.

CITY OF HOMEWOOD, ALABAMA
Schedule of Findings and Questioned Costs
September 30, 2024
(Continued)

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - Continued

Finding 2024-016 - Continued

Recommendation: The City should adopt policies and procedures and improve controls to ensure that procurement requirements for federal awards are being met.

View of responsible officials: The City concurs – see corrective action plan.

Finding 2024-017

Assistance Listing No.: All

Program Title: All

Name of Federal Awarding Agency: All

Pass-Through Entity: All

Federal Award Year: All

Criteria: The requirements of Title 2 U.S. *Code of Federal Regulations* Part 180, *OMB Guidelines to Agencies on Government-Wide Debarment and Suspension* state that when you enter into a covered transaction with another person or entity, you must verify that the person or entity with whom you intend to do business is not excluded or disqualified.

Condition: The City did not have adequate controls in place to ensure that person or entities were not suspended or debarred.

Cause and effect: The City lacks the policies and procedures concerning the process of determining if a person or entity is suspended or debarred. The lack of such policies and procedures for suspension and debarment could result in contracts with suspended or debarred vendors.

Identification of repeat finding: This is a repeat finding.

Recommendation: The City should adopt policies and procedures and improve controls necessary to ensure there is evidence of review of suspended or debarred vendors is included with bid-contract documents.

View of responsible officials: The City concurs – see corrective action plan.

CITY MANAGER'S OFFICE HOMEWOOD, ALABAMA

Alex Wyatt
Mayor

- 01 **The City concurs.** The City discovered the former finance director had circumvented appropriate internal controls related to City wire transfers and misappropriated funds within several days of his retirement in April 2024. The City communicated this to the auditors. The City has implemented additional internal controls related to wire transfers which re-established multi-approvals of responsible officials prior to the initiation of any City wire transfer.
- 02 **The City concurs.** The City has a master vendor file. The former finance director circumvented proper internal controls and wired City funds to a vendor that did not exist on the City's master vendor file. The City has re-evaluated its internal controls related to its master vendor file and any additions or deletions of vendors to the master vendor file requires dual approvals by responsible officials. Access to the master vendor file has also been restricted to authorized City personnel.
- 03 **The City does not concur.** The City can't determine from the Condition description which internal controls and compliance issues affect the period currently under audit. The periods reviewed by the Alabama Department of Examiners of Public Accounts (the Examiners) do not coincide with the auditor's audit period. For example, the credit card activities comment indicates the period ended September 30, 2023 and the auditor's audit period began October 1, 2023.

The auditors have indicated this finding is a current year material weakness in internal controls but the City can't establish a connection between the Examiners findings and the auditor's Criteria as described above. The City also reviewed the auditor's prior year audit findings and can't establish a consistent connection between prior year audit findings (if any) and findings issued by the Examiners affecting prior years.

The City is committed to correcting and implementing proper internal controls to address any matters that arise during any audits or Examiner reviews. To correct these findings, the City needs further clarity and specificity on which findings affect the auditor's period under audit and how any findings preceding their audit period affect the City's fiscal year being audited (October 1, 2023 to September 30, 2024).

CITY MANAGER'S OFFICE HOMEWOOD, ALABAMA

Alex Wyatt
Mayor

- 04 **The City might concur (the term “timely” is not defined).** During the years ended September 30, 2023 and 2024, the City's former finance director circumvented proper internal controls which resulted in a misappropriation of City funds. The City finance personnel discovered this misappropriation and devoted a considerable amount of time during the period under audit, identifying the misappropriation of funds. This unforeseen devotion of time delayed the City's regular close-out process. Since the conclusion of the investigation related to the former finance director's misappropriation of funds, the City personnel are back on a regular reconciliation schedule.
- 05 **The City does not concur.** The City met with the auditors regarding this matter and based on the wording of the Condition described above, the City is unable to determine the issue(s) that need(s) correction. The City has reconciliation processes in place related to balance sheet accounts. The City has multiple receivable, payable, and payroll-related balance sheet accounts and can't determine by the comment above which accounts require attention. The City is committed to correcting and implementing proper internal controls to address any matters that might arise during an audit. To correct this finding, the City needs further clarity and specificity related to the matter described above.
- 06 **The City does not concur.** The City properly recorded accounts payable at September 30, 2024. To ensure that all purchases were recorded in the appropriate period related, the City held its accounts payable cutoff period open longer than in prior years.
- 07 **The City concurs.** The remittance of the CICT fees to the State of Alabama was the responsibility of the former finance director, after his departure the City started remitting monies to the Alabama Division of Construction Management for applicable fees collected beginning October 1, 2024.

CITY MANAGER'S OFFICE HOMEWOOD, ALABAMA

Alex Wyatt
Mayor

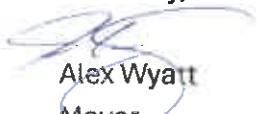
- 08 **The City concurs.** Because the two positions related to overtime pay are department head positions (former finance director and former city clerk), the City's former mayor approved their overtime pay. The City will add additional approval documentation to evidence Mayor (or City Manager) approval for department head position overtime pay.
- 09 **The City concurs.** The City is currently outsourcing its payroll processing to a third party service provider. Part of this outsourcing includes improved reconciliations and review of retirement data reported to and received from the Retirement Systems of Alabama.
- 10 **The City does not concur.** Expenditures are approved by the City before payment is made (excluding the misappropriation of funds by the former City Finance Director). Expenditures are approved by the City's department heads, finance director, mayor, or City Council (and City manager beginning in fiscal year 2025). The City Council periodically amends the City's originally adopted budget when necessary to allocate resources for City expenditures that may not have been contemplated during the initial budget preparation. The wording currently used in the Criteria section insinuates that the City should amend its final budget to match final expenditures thereby removing the City's ability to measure its final actual financial performance against estimated budget amounts. Under this premise, the City would also need to amend its budgeted revenues to comply with this recommendation which would also remove the results of revenue estimation between final budget and actual.
- 11 **The City does not concur.** The City's investments are in compliance with the State of Alabama Code Sections 11-81-19, 11-81-20, and 11-81-21. The auditors also interviewed the City's investment advisor who also confirmed the City is in compliance with State Code regarding investment holdings. The auditors have also been unable to identify the specific investments the City holds that are not in compliance with the State Code of Alabama.

CITY MANAGER'S OFFICE HOMEWOOD, ALABAMA

Alex Wyatt
Mayor

- 12 **The City concurs with prejudice.** The Library Board of the City approved an equipment lease for the City's library. The Library Board has certain powers conveyed to them by the City Council. While there was a responsible governing body that approved the lease, the City Council will begin reviewing and approving any debt agreements simultaneously with the Library Board.
- 13 **The City concurs.** It is the City's understanding that this comment is associated with the equipment lease mentioned in finding 2024-012. As previously stated, this equipment lease was approved by the City's Library Board. The City will ensure bid laws are followed appropriately.
- 14 **The City does not concur.** The City requested supporting documentation to verify department head approval was not obtained and it was not provided by the auditors. The City is unable to respond or correct a finding unless it has the details related to any audit issues.
- 15 **The City does not concur.** The City submitted their report to the Department of the Treasury on April 30, 2025 which covered the time period from January 1, 2022 through December 31, 2024. The Department of the Treasury allowed for this reporting deadline and the City maintains it filed the reports within the acceptable time requirements.
- 16 **The City concurs.** The City is revising its policies and procedures for federal award programs to include procedures related to simplified acquisitions.
- 17 **The City concurs.** The City is revising its policies and procedures for federal award programs to include procedures related to suspension and debarment.

Sincerely,



Alex Wyatt
Mayor
Homewood, AL

CITY OF HOMEWOOD, ALABAMA
Summary Schedule of Prior Audit Findings
September 30, 2024

FINANCIAL STATEMENT FINDINGS

Finding 2023-001 - Lack of Control over Wire Transfers

Criteria: Management should monitor, review and approve all wire transfers initiated by individuals and vouch amounts posted to the general ledger to ensure accuracy.

Statement of Condition: During the audit, we noted that the City Finance Director is able to wire any amount of funds from the City's bank account without authorization. If the bank calls to verify a bank transfer, the bank contacts only the City Finance Director for authorization and approval.

Status: Repeat finding 2024-001.

Finding 2023-002 - Lack of Control over Master Vendor List

Criteria: The use of a master vendor file improves internal control by limiting opportunities for employee and vendor fraud and preventing duplicate payments to vendors with multiple locations.

Statement of Condition: During the audit, we noted a lack of control over the City's master vendor file.

Status: Repeat finding 2024-002.

Finding 2023-003 - Lack of Adequate Supporting Documentation for Credit Card Purchases

Criteria: All purchases for the City should have proper backup and authorization, including those purchased using City issued credit cards.

Statement of Condition: During the audit, we noted that there was a lack of adequate support of documentation for credit card purchases.

Status: This finding was included as part of the Examiners report addressed in finding 2024-003.

CITY OF HOMEWOOD, ALABAMA
Summary Schedule of Prior Audit Findings
September 30, 2024
(Continued)

FINANCIAL STATEMENT FINDINGS - CONTINUED

Finding 2023-004 - Failure to Timely Remit Construction Industry Craft Training (CICT) Fee Payments to the State of Alabama

Criteria: Amounts collected for CICT fees should be timely reconciled to City records and reported and remitted to the state.

Statement of Condition: During the audit, we noted that the City did not have processes in place to ensure timely remittance of reports and amounts collected for the CICT fee to the State of Alabama. The report and corresponding remittance of fees should be made to the Alabama Division of Construction Management by the 20th day of the month following issuance of permits.

Current: Repeat finding 2024-007.

Finding 2023-005 - Transfers in Excess of Budgeted Amounts

Criteria: To ensure compliance with the City's budget, all interfund transfers should be approved by the City Council and should be reflected in the City's amended budget.

Statement of Condition: During the audit, we noted that operating transfers from City's General Fund were in excess of Council final approved budget amounts.

Status: Repeat finding 2024-010.

Finding 2023-006 - Investment Noncompliance

Criteria: All investments of the City should be in compliance with laws and regulations, including those as dictated by the State Code of Alabama Section 11-81-19.

Statement of Condition: During the audit, we noted that the City had investments that were not in compliance with the State Code of Alabama Section 11-81-19.

Statement of Cause and Effect: Lack of communication of compliance requirements with external investment advisors and lack of ongoing monitoring and reviewing types of investments held by the City can lead to noncompliance with investment laws and regulations.

Current Status: Repeat finding 2024-011.

CITY OF HOMEWOOD, ALABAMA
Summary Schedule of Prior Audit Findings
September 30, 2024
(Continued)

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2023-007

Assistance Listing No. and Program Title: All
Name of Federal Awarding Agency: All
Pass-Through Entity: All
Federal Audit Year: All

Criteria: The 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), requires the City to submit its Single Audit Reporting Package to the federal audit clearinghouse no later than nine months after fiscal year end.

Statement of Condition: The federal reporting deadline for the City's Single Audit Reporting Package for the year ended September 30, 2023 was June 30, 2024; however, the City did not issue its Single Audit until after that date.

Status: Corrected.

Finding 2023-008

Assistance Listing No. and Program Title: All
Name of Federal Awarding Agency: All
Pass-Through Entity: All
Federal Award Year: All

Criteria: The requirements of Title 2 U.S. *Code of Federal Regulations* Part 180, *OMB Guidelines to Agencies on Government-Wide Debarment and Suspension* state that when you enter into a covered transaction with another person or entity, you must verify that the person or entity with whom you intend to do business is not excluded or disqualified.

Statement of Condition: The City did not have adequate controls in place to ensure that person or entities were not suspended or debarred.

Status: Repeat finding 2024-017.

CITY OF HOMEWOOD, ALABAMA
Summary Schedule of Prior Audit Findings
September 30, 2024
(Continued)

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - CONTINUED

Finding 2023-009

Assistance Listing No. and Program Title: 21.027: Coronavirus State and Local Fiscal Recovery Fund

Name of Federal Awarding Agency: U.S. Department of Treasury

Pass-Through Entity: Alabama Department of Treasury

Federal Award Year: 2021 – deferred to current year

Criteria: The Compliance and Reporting Guidance for the Coronavirus State and Local Fiscal Recovery Funds, all recipients are required to submit Project and Expenditure Reports. The City is considered a non-entitlement unit and is therefore required to submit reports on an annual basis and must be submitted to the Department of Treasury by April 30th of each year.

Statement of Condition: The City did not submit their Project and Expenditure Report that was due on April 30, 2023.

Status: Repeat finding 2024-015.