

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

FEDERAL COMPLIANCE AUDIT REPORT

OF

KNOX COUNTY, INDIANA

January 1, 2022 to December 31, 2022



**FILED**

08/18/2023



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Micheal P. Morris Lisa Clark-Benock	01-01-22 to 12-31-22 01-01-23 to 12-31-23
County Treasurer	Cendy Joslin	01-01-22 to 12-31-23
Clerk of the Circuit Court	David Shelton	01-01-22 to 12-31-23
County Sheriff	Doug Vantlin	01-01-22 to 12-31-23
County Recorder	Lisa Clark-Benock Kelley Hopwood	01-01-22 to 12-31-22 01-01-23 to 12-31-23
President of the Board of County Commissioners	Kellie E. Streeter	01-01-22 to 12-31-23
President of the County Council	Harry Nolting	01-01-22 to 12-31-23



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF KNOX COUNTY, INDIANA

We have audited, in accordance with 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 statement of Knox County (County), for the year ended December 31, 2022, and the related notes to the financial statement, which collectively comprise the County's financial statement and have issued our report thereon dated August 1, 2023, wherein we noted the County followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the County'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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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 first paragraph of this section 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 did identify certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the County's financial statement is free of 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 determination of financial statement amounts. 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 2022-001 and 2022-002.

***Knox County's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the County's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The County's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we express no opinion on it.

***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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth Kelley, CPA, CFE  
Deputy State Examiner

August 1, 2023



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

TO: THE OFFICIALS OF KNOX COUNTY, INDIANA

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Knox County's (County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022. The County'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 County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 County 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 County'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 County's federal programs.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

***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 County'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 County'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 County'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 County'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 County'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.

**Report on 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 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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 statement of the County, as of and for the year ended December 31, 2022, and the related notes to the financial statement. We issued our report thereon dated August 1, 2023, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed for the purpose of forming an opinion on the financial statement as a whole. 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 financial statement. 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 financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, 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 financial statement as a whole.



Beth Kelley, CPA, CFE  
Deputy State Examiner

August 1, 2023

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the County. The schedule and notes are presented as intended by the County.

KNOX COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2022

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<b>Department of Housing and Urban Development</b>					
COVID-19 - COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII	INDIANA OFFICE OF COMMUNITY AND RURAL AFFAIRS	14.228			
14.228 CDBG HELPING HIS HANDS			CV-CV2-343	\$ -	\$ 99,272
14.228 CCPD GRANT WITH KCARC			FSSA-CV2-209	-	146,300
Total - COVID-19 - COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII				-	245,572
Total - Department of Housing and Urban Development				-	245,572
<b>Department of Justice</b>					
CRIME VICTIM ASSISTANCE	INDIANA CRIMINAL JUSTICE INSTITUTE	16.575			
2019VOCA-CASA			2018-V2-GX-0031	-	129,989
VOCA			2019-V2-GX-0014	-	213,292
Total - CRIME VICTIM ASSISTANCE				-	343,281
DRUG COURT DISCRETIONARY GRANT PROGRAM	DIRECT GRANT	16.585			
KNOX COUNTY DRUG COURT ENHANCEMENT			2018-DC-BX-0057	-	106,361
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	INDIANA CRIMINAL JUSTICE INSTITUTE	16.738			
JAG SHERIFF GRANT			JAG 2022	-	44,644
Total - Department of Justice				-	494,286
<b>Department of Transportation</b>					
Highway Planning and Construction Cluster					
HIGHWAY PLANNING AND CONSTRUCTION	INDIANA DEPARTMENT OF TRANSPORTATION	20.205			
BRIDGE 382			DES 1600892	-	28,261
ELKHORN RD PROJECT			DES 1800986	-	440,535
ELKHORN RD PROJECT			DES 1901690	-	55,000
BRIDGE INSPECTION			DES 1902073	-	184,972
Total - HIGHWAY PLANNING AND CONSTRUCTION				-	708,768
Total - Highway Planning and Construction Cluster				-	708,768
Highway Safety Cluster					
STATE AND COMMUNITY HIGHWAY SAFETY	INDIANA CRIMINAL JUSTICE INSTITUTE	20.600			
OPERATION PULL OVER			CHIRP-2022-00085	-	4,716
Total - Highway Safety Cluster				-	4,716
FORMULA GRANTS FOR RURAL AREAS AND TRIBAL TRANSIT PROGRAM	INDIANA DEPARTMENT OF TRANSPORTATION	20.509			
VAN GO			IN-2021-031-00	139,387	139,387
COVID-19 - FORMULA GRANTS FOR RURAL AREAS AND TRIBAL TRANSIT PROGRAM	INDIANA DEPARTMENT OF TRANSPORTATION	20.509			
VAN GO			IN-2020-007-00	536,365	536,365
YMCA VANGO PUBLIC TRANSIT			IN-2021-031-00	36,998	36,998
Subtotal - COVID-19 - FORMULA GRANTS FOR RURAL AREAS AND TRIBAL TRANSIT PROGRAM				573,363	573,363
Total - FORMULA GRANTS FOR RURAL AREAS AND TRIBAL TRANSIT PROGRAM				712,750	712,750
Total - Department of Transportation				712,750	1,426,234

KNOX COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2022

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<b>Department of the Treasury</b>					
COVID-19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS ARP CORONAVIRUS LOCAL FISCAL RECOVERY FUND	DIRECT GRANT	21.027	YR 2022	-	314,116
Total - Department of the Treasury				-	314,116
<b>Department of Health and Human Services</b>					
PUBLIC HEALTH EMERGENCY PREPAREDNESS CO. HEALTH-BIOTERRORISM	INDIANA STATE DEPARTMENT OF HEALTH	93.069	NU90TP922052	-	40,000
COVID-19 - IMMUNIZATION COOPERATIVE AGREEMENTS IMMUNIZATION	INDIANA STATE DEPARTMENT OF HEALTH	93.268	NH23IP922631	-	76,750
COVID-19 - EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC) 93.323 ELC GRANT	INDIANA STATE DEPARTMENT OF HEALTH	93.323	CONTRACT 45121	-	100,000
PUBLIC HEALTH EMERGENCY RESPONSE: COOPERATIVE AGREEMENT FOR EMERGENCY RESPONSE: PUBLIC HEALTH CRISIS RESPONSE 93.354 PUBLIC HEALTH EMERGENCY	INDIANA STATE DEPARTMENT OF HEALTH	93.354	NU90TP922179	-	64,078
CHILD SUPPORT ENFORCEMENT CLERK IV-D EXPENDITURES PROSECUTOR IV-D EXPENDITURES COUNTY GENERAL IV-D INDIRECT COSTS PROSECUTOR IV-D INCENTIVES CLERK IV-D INCENTIVES COUNTY IV-D INCENTIVES SUPERIOR COURT I IV-D EXPENDITURES	INDIANA DEPARTMENT OF CHILD SERVICES	93.563	FY 2022 FY 2022 FY 2022 FY 2022 FY 2022 FY 2022 FY 2022	- - - - - - -	19,190 139,919 28,380 18,237 33,883 23,827 18,620
Total - CHILD SUPPORT ENFORCEMENT				-	282,056
FOSTER CARE TITLE IV-E FOSTER CARE TITLE IV-E	INDIANA PUBLIC DEFENDER COMMISSION	93.658	025IVEFCPDAMF22	-	7,209
OPIOID STR JUSTICE PARTNERS ADDICTIONS RESPONSE GRANT SEQ INTERCEPT MODEL SEQ INTERCEPT MODEL	INDIANA SUPREME COURT ADMINISTRATION	93.788	20-5JC89-C42-056 21-5JC89-C42-001 22-5JC89-C42-001	- - -	7,450 60,000 60,000
Total - OPIOID STR				-	127,450
Total - Department of Health and Human Services				-	697,543
<b>Department of Homeland Security</b>					
EMERGENCY MANAGEMENT PERFORMANCE GRANTS EMA PERFORMANCE GRANT	INDIANA DEPARTMENT OF HOMELAND SECURITY	97.042	EMPG 2021	-	7,362
Total - Department of Homeland Security				-	7,362
Total federal awards expended				<u>\$ 712,750</u>	<u>\$ 3,185,113</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

KNOX COUNTY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Summary of Significant Accounting Policies**

*A. Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 2022. The information in the SEFA 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 SEFA presents only a select portion of the operations of the County, it is not intended to and does not present the financial position of the County.

*B. Other Significant Accounting Policies*

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

**Note 2. Indirect Cost Rate**

The County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

KNOX COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no

Identification of Major Programs and type of auditor's report issued on compliance for each:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
20.509	Formula Grants for Rural Areas and Tribal Transit Program Highway Planning and Construction Cluster	Unmodified Unmodified

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

Auditee qualified as low-risk auditee?	no
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**Section II - Financial Statement Findings**

**FINDING 2022-001**

Subject: Financial Transactions and Reporting - County Auditor  
Audit Findings: Material Weakness, Noncompliance

*Condition and Context*

The County had not established effective internal controls over the financial information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the County's financial statement.

The County failed to properly review the financial information prepared and submitted in Gateway. Although the Bookkeeper compiled, reviewed, and entered the County's financial information in Gateway and the County Auditor reviewed and certified the information entered was accurate, the internal control was not effective and did not detect and allow correction of all errors prior to submission.

KNOX COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Due to the lack of effective internal controls the financial statement presented for audit did not properly reflect the financial activity of the County. The following errors were noted:

1. The Settlement fund reported transfers within the fund, which overstated receipts and disbursements by \$11,725,937.
2. The activity of the KC ICJ Facilities 2022 Bond Construction Fund was reported on the financial statement. However, this fund is the fiscal responsibility of the Knox County, Indiana Building Corporation and is not an obligation of the County. Therefore, the activity should not be reported on the financial statement. As a result, receipts, disbursements, and the ending cash and investments balance were overstated by \$29,686,344, \$5,953,759, and \$23,732,585, respectively.
3. The Knox County Board of Commissioners (County) entered into a Lease Rental agreement on June 7, 2022, with the Knox County, Indiana Building Corporation (Corporation) for renovation and expansion of the existing jail facility and construction of a new community corrections facility. The Arbitrage and Tax Representation Certificate (certificate) stated, in part, that after the sale of the Lease Rental Revenue Bonds, Series 2022 took place, the Corporation was to immediately transfer \$14,435,000 from the 2022 Construction Account of the Corporation to the County as the purchase price for the jail real estate being transferred to the Corporation for the construction of the facilities. The transfer of these funds did not occur. The certificate also stated that the County was to use these funds to pay for a portion of the costs of the project, which was the intent of the County. Instead, the Corporation paid \$5,374,955 for project expenditures in 2022 out of the funds retained by the Corporation. As these funds were considered the responsibility of the County, they should have been reported as non-cash transactions on the County's financial statement. Failure to report these transactions caused receipts, disbursements, and ending cash and investments balance to be understated by \$14,435,000, \$5,374,955, and \$9,060,045, respectively.

Adjustments were proposed, accepted by the County, and made to the financial statement.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

KNOX COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

*Cause*

Management had not established an effective system of internal controls that would have ensured proper reporting of the financial statement.

*Effect*

Without a proper system of internal controls in place that operated effectively, material misstatements of the financial statement remained undetected. The financial statement contained the errors identified in the *Condition and Context*.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2022-002**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

*Condition and Context*

The County had not established effective internal controls over the federal award information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the County's Schedule of Expenditures of Federal Awards (SEFA).

The County failed to properly review the federal grant information prepared and submitted in Gateway. Although the Bookkeeper prepared and entered the federal award information into Gateway, and the Deputy County Auditor reviewed a printed grants worksheet and approved the information entered, the internal control was not effective and did not detect and allow correction of all errors prior to submission.

Due to the lack of effective internal controls, the SEFA presented for audit included the following errors:

1. The Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response expenditures were overstated by \$320,922.
2. Three grants had individually immaterial errors that resulted in misstatements of expenditures of \$7,209, in total.
3. Other errors included incorrect passed through identification numbers.

KNOX COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Audit adjustments were proposed, accepted by the County, and made to the SEFA presented in this report.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control . . ."

2 CFR 200.1 states in part:

". . . *Internal controls* for non-Federal entities means:

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:
  - (i) Effectiveness and efficiency of operations;
  - (ii) Reliability of reporting for internal and external use; . . ."

KNOX COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.508 states in part:

"The auditee must: . . .

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510. . . ."

2 CFR 200.510(b) states:

*"Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards 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. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414."

*Cause*

Management had not established an effective system of internal controls that would have ensured proper reporting of the SEFA.

*Effect*

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition and Context*.

KNOX COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**Section III - Federal Award Findings and Questioned Costs**

No matters are reportable.

AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the County. The document is presented as intended by the County.



# Knox County Auditor

Auditor Lisa Clark-Benock  
111 N 7th St, Suite 5  
Vincennes, IN 47591  
812-885-2502

## CORRECTIVE ACTION PLAN

### ***FINDING 2022-001***

Contact Person Responsible for Corrective Action: Lisa Clark-Benock  
Contact Phone Number: 812-885-2502

Views of Responsible Official: We concur with the finding.

#### Description of Corrective Action Plan:

The Auditor's office bookkeeper will print out the appropriate fund information for the Annual Financial Report. Another staff member will review the fund information and discuss any discrepancies or questions with the bookkeeper. Once reviewed, the information will be entered in Gateway and then reviewed by the independent accountant. The bookkeeper will review the information with the Auditor before submission in Gateway.

The Auditor's office and governing body will review all contracts and agreements to determine and follow up on the financial activity to be reported on the financial statements.

Anticipated Completion Date: Immediately



# Knox County Auditor

Auditor Lisa Clark-Benock  
111 N 7th St, Suite 5  
Vincennes, IN 47591  
812-885-2502

## CORRECTIVE ACTION PLAN

### ***FINDING 2022-002***

Contact Person Responsible for Corrective Action: Lisa Clark-Benock  
Contact Phone Number: 812-885-2502

Views of Responsible Official: We concur with the finding.

#### Description of Corrective Action Plan:

The Auditor's office bookkeeper will print out the appropriate grant fund information for the Annual Financial Report. The grant information will be reviewed by the department receiving the grant. After departments review and make any changes another Auditor staff member will review the fund information and discuss any discrepancies or questions with the bookkeeper. Once done, the bookkeeper will review the information with the Auditor before submission of report on Gateway.

Anticipated Completion Date: Immediately

## OTHER REPORTS

In addition to this report, other reports may have been issued for the County. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.