

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

JOHNSON COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED
04/15/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Elizabeth A. Alvey	01-01-23 to 12-31-26
	Pamela J. Burton	01-01-15 to 12-31-22
County Treasurer	Michele Ann Graves	01-01-17 to 12-31-24
Clerk of the Circuit Court	Trena McLaughlin	01-01-19 to 12-31-26
County Recorder	Teresa Petro	01-01-19 to 12-31-26
County Sheriff	Duane Burgess	01-01-19 to 12-31-26
County Surveyor	Gregg Cantwell	01-01-17 to 12-31-24
County Coroner	Mike Pruitt	01-01-21 to 12-31-24
County Prosecutor	Lance Hamner	01-01-23 to 12-31-26
	Joe Villanueva	08-29-19 to 12-31-22
County Assessor	Mike Watkins	01-01-23 to 12-31-26
	Mark Alexander	01-01-07 to 12-31-22
President of the Board of County Commissioners	Brian P. Baird	01-01-21 to 12-31-24
President of the County Council	Pamela J. Burton	01-01-24 to 12-31-24
	Jonathan T. Myers	01-01-23 to 12-31-23
	Jim Ison	01-01-22 to 12-31-22



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

TO: THE OFFICIALS OF JOHNSON 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 statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Johnson County (County), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 7, 2024. Our report includes a reference to other auditors who audited the financial statements of Johnson Memorial Hospital, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, 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 statements, 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 statements 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 item 2022-001, 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
STATEMENTS 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 statements are 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 item 2022-001.

Johnson 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 statements, 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

March 7, 2024



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 JOHNSON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Johnson 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.

Qualified Opinion on COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the COVID-19 - Coronavirus State and Local Fiscal Recovery Funds for the year ended December 31, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2022.

Basis for Qualified and Unmodified Opinions

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.

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)

Matter Giving Rise to Qualified Opinion on COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

As described in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding 21.027 COVID-19 - Coronavirus State and Local Fiscal Recovery Funds, as described in finding number 2022-003 for Procurement and Suspension and Debarment. Compliance with such requirement is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Other Matter - Federal Expenditures Not Included in the Compliance Audit

The County's basic financial statements include the operations of the Johnson Memorial Hospital, Johnson County Solid Waste District, the Bargersville Fire Protection District, the White River Township Fire Protection District, the Amity Fire Protection District, the Hensley Fire Protection District, the Needham Fire Protection District, the Nineveh Fire Protection District, and the Johnson County Public Library, which are component units of the County. Expenditures of federal awards for these component units, if any, are not included in the County's Schedule of Expenditures of Federal Awards during the year ended December 31, 2022. Our compliance audit, described in the *Opinion on Each Major Federal Program*, did not include the operations of the Johnson Memorial Hospital, the Johnson County Solid Waste District, the Bargersville Fire Protection District, the White River Township Fire Protection District, the Amity Fire Protection District, the Hensley Fire Protection District, the Needham Fire Protection District, the Nineveh Fire Protection District, and the Johnson County Public Library as component units are legally separate entities of the County and is subject to separate audit, as applicable in accordance with Indiana state statutes or regulations, and the audit requirements of the Uniform Guidance.

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.

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:

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)

- 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2022-002. 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 County's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The County's response to the noncompliance 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 compliance, and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or 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, as described in the accompanying Schedule of Findings and Questioned Costs as items 2022-002 and 2022-003, to be material weaknesses.

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 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 require the auditor to perform limited procedures on the County's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 7, 2024, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Beth Kelley, CPA, CFE
Deputy State Examiner

March 7, 2024

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.

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JOHNSON 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
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553			
Calendar 2022 Juvenile Detention School Breakfast			FY 2022	\$ -	\$ 17,744
National School Lunch Program	Indiana Department of Education	10.555			
Calendar 2022 Juvenile Detention School Lunch			FY 2022	-	28,395
Calendar 2022 Juvenile Detention School Lunch - Commodities			FY 2022	-	1,914
Total - National School Lunch Program				-	30,309
Total - Child Nutrition Cluster				-	48,053
WIC Special Supplemental Nutrition Program for Women, Infants, and Children WIC Breastfeeding/Peer Counselor (2021/2022)	Indiana Department of Education	10.557			
			Contract #58073	-	861,219
Child and Adult Care Food Program Calendar 2022 Juvenile Detention School Snacks	Indiana Department of Education	10.558			
			FY 2022	-	4,709
Total - Department of Agriculture				-	913,981
<u>Department of Justice</u>					
Juvenile Justice and Delinquency Prevention Title II Comm Corr Juv	Indiana Criminal Justice Institute	16.540			
			2017-JF-FX-0021 2018-JF-FX-00	-	25,146
Crime Victim Assistance Victim Assistance Program (10/01/20-09/30/22)	Indiana Criminal Justice Institute	16.575			
			VOCA-2020-00008	-	79,296
Violence Against Women Formula Grants STOP Grant Domestic Violence Intervention Program (10/01/21-096/30/22)	Indiana Criminal Justice Institute	16.588			
			2020-WF-AX-0031 03221STOP0544	-	34,794
Edward Byrne Memorial Justice Assistance Grant Program Justice Assistance Grant Program Justice Assistance Grant Program	City of Greenwood	16.738			
			15PBJA-21-GG-01473-JAGX	-	8,300
			2020-DJ-BX-0907	-	3,239
Total - Edward Byrne Memorial Justice Assistance Grant Program				-	11,539
Total - Department of Justice				-	150,775
<u>Department of Transportation</u>					
Federal Transit Cluster					
Federal Transit Formula Grants COVID-19 - Access Johnson County ARPA	Indianapolis Public Transportation Corporation	20.507			
			FY 2022	-	132,872
Total - Federal Transit Cluster				-	132,872

JOHNSON 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
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
Connector Rd from Worthsville Rd to South Franklin Rd/Worthsville Rd/Clark School Rd			Project #1005947	-	339,998
Connector Rd from Worthsville Rd to South Franklin Rd/Worthsville Rd/Clark School Rd			Project #1005947	-	1,458,913
Federal Bridge Inspection Phase 1 (2018) and Phase 2 (2020)			Project #1500209	-	23,317
Fairview Road and Peterman Road			Project #1601197	-	10,597
Bridge 98			Project #1902767	-	94,561
Total - Highway Planning and Construction				-	1,927,386
Total - Highway Planning and Construction Cluster				-	1,927,386
Highway Safety Cluster					
State and Community Highway Safety	Indiana Criminal Justice Institute	20.600			
LEC CHIRP 2022 (OPO/CITLI/BLITZ)			LEC CHIRP 2022	37,804	38,933
Total - Highway Safety Cluster				37,804	38,933
Formula Grants for Rural Areas and Tribal Transit Program	Indiana Department of Transportation	20.509			
COVID-19 - Access - CARES			Contract #18039270	727,347	727,347
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	Indiana Criminal Justice Institute	20.608			
LEC CHIRP 2022 (DUI)			LEC CHIRP 2022	20,090	20,798
Total - Department of Transportation				785,241	2,847,336
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	US Department of Treasury	21.027			
American Rescue Plan Act 2021			FY 2022	-	5,364,099
Total - Department of the Treasury				-	5,364,099
<u>Department of Health and Human Services</u>					
Public Health Emergency Preparedness	Indiana Department of Health	93.069			
BASE BP1 (2021/2022)			Contract #55647	-	25,000
CRI BP3 (2021/20221)			Contract #55647	-	35,307
Base BP1 (2022/2023)			Contract #63257	-	13,684
Total - Public Health Emergency Preparedness				-	73,991
Immunization Cooperative Agreements	Indiana Department of Health	93.268			
COVID-19 - Immunization & Vaccine Child			NH23IP922631	-	193,170
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Indiana Department of Health	93.323			
Crisis Co Ag School (2021-2022)			Contract #59444	-	90,151
SARS COVID 2 Community Testing			NU50CK000503	-	63,284
Total - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)				-	153,435

JOHNSON 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
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response COVID-19 - Crisis Co Ag	Indiana Department of Health	93.354	Contract #64812	-	30,316
Child Support Enforcement Prosecutor Deferral Program (fund #2508) Calendar 2022 Clerk Expenditures (Clerk Perpetuation Fund) Calendar 2022 Juvenile Court Expenditures Prosecutor Collection Incentives Clerk Collection Incentives County Collection Incentives Pretrial Diversion Program (fund #2509) Indirect Costs - Cost Allocation Plan Calendar 2022 Clerk Expenditures Calendar 2022 Prosecutor Expenditures	Indiana Department of Child Services	93.563	FY 2022 FY 2022 FY 2022 FY 2022 FY 2022 FY 2022 FY 2022 FY 2022 FY 2022	- - - - - - - - -	2,372 1,175 64,988 49,922 40,352 45,479 879 101,720 32,666 444,644
Total - Child Support Enforcement				-	784,197
Voting Access for Individuals with Disabilities-Grants for Protection and Advocacy Systems Election Reform Payments	Indiana Secretary of State	93.618	FY 2005 & FY 2012	-	83,613
Opioid STR Justice Assistance Grant Program	Indiana Office of Court Services	93.788	21-5JC89-C41-001	-	48,389
Total - Department of Health and Human Services				-	1,367,111
<u>Department of Homeland Security</u> Emergency Management Performance Grants COVID-19 - EMPG 21 ARPA Competitive EMPG - Salaries	Indiana Department of Homeland Security	97.042	Contract #59312 Contract #59623	- -	19,968 67,531
Total - Emergency Management Performance Grants				-	87,499
Total - Department of Homeland Security				-	87,499
Total federal awards expended				<u>\$ 785,241</u>	<u>\$ 10,730,801</u>

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

JOHNSON 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.

JOHNSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:

Name of Opinion Unit	Opinion Issued
Governmental activities	Unmodified
Aggregate discretely presented component units	Unmodified
Each major fund	Unmodified
Aggregate remaining fund information	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

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
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	Unmodified
	Highway Planning and Construction Cluster	Unmodified
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Qualified

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

Auditee qualified as low-risk auditee? no

JOHNSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II - Financial Statement Findings

FINDING 2022-001

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

Repeat Finding

This is a repeat finding from the prior audit report. The prior audit finding number was 2021-001.

Condition and Context

All financial activity of the County was provided to a third-party compiler. The compiler, utilizing the data provided, prepared the County's financial statements. Once the financial statements were prepared, they were provided to the County. The County then reviewed the financial statements to ensure they were complete and accurate; however, the County's review was not effective and did not detect and allow for correction of errors.

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

- The Discretely Presented Component Units capital asset additions and deletions were understated by \$8,292,569 and \$9,400,000, respectively.
- The Discretely Presented Component Units capital asset accumulated depreciation additions and deletions were understated by \$331,752 and \$504,000, respectively.
- The Discretely Presented Component Units Net Position was understated by \$935,183.

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

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. . . ."

JOHNSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management of the County had not established a proper system of internal controls that would have ensured proper reporting of discretely presented component units in the County's financial statements.

Effect

Without a proper system of internal controls that operated effectively, material misstatements of the financial statements remained undetected. The financial statements included 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.

Section III - Federal Award Findings and Questioned Costs

FINDING 2022-002

Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Reporting
Federal Agency: Department of the Treasury
Federal Program: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
Assistance Listings Number: 21.027
Federal Award Number and Year (or Other Identifying Number): FY 2022
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

Condition and Context

The County had not properly implemented a system of internal controls, which would include appropriate segregation of duties that would likely be effective in preventing, or detecting and correcting, noncompliance. Recipients are required to submit quarterly or annually Project and Expenditure (P&E) Reports to the Department of the Treasury (Treasury). The reporting periods, as well as the respective due dates, are based upon type of recipient and its population, as well as the recipient's allocation amount. Information to be reported includes projects funded, expenditures, and contracts for the appropriate reporting period.

The County was classified as a metropolitan county with a population below 250,000 residents that received an allocation of more than \$10 million in Coronavirus State and Local Fiscal Recovery Funds (SLFRF) funding. As such, the initial P&E Report, covering three calendar quarters from March 3, 2021 to December 31, 2021, was required to be submitted to the Treasury by January 31, 2022. The subsequent quarterly reports were to cover one calendar quarter and must be submitted to the Treasury by the last day of the month following the end of the period covered.

The County submitted four quarterly P&E Reports during the audit period. The County's process for the completion and submission of the P&E Reports was that the County Attorney prepared each P&E Report based on a spreadsheet prepared by the Board of County Commissioners Executive-Administrative Assistant, and then the Chair of the Board of County Commissioners reviewed and submitted the reports.

One of the four quarterly reports was not properly supported by the County's records. For the final quarterly report in 2022, the County did not include an expenditure of \$1,500,000 as it was not included on the spreadsheet prepared by the Board of County Commissioners Executive-Administrative Assistant.

JOHNSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The lack of internal controls and noncompliance were isolated to the final quarterly report in 2022.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Coronavirus State and Local Fiscal Recovery Funds Compliance and Reporting Guidance, page 10, states in part:

". . . **10. Reporting.** All recipients of federal funds must complete financial, performance, and compliance reporting as required and outlined in Part 2 of this guidance. Expenditures may be reported on a cash or accrual basis, as long as the methodology is disclosed and consistently applied. Reporting must be consistent with the definition of expenditures pursuant to 2 CFR 200.1. Your organization should appropriately maintain accounting records for compiling and reporting accurate, compliant financial data, in accordance with appropriate accounting standards and principles. . . ."

31 CFR 35.4(c) states in part: "*Reporting and requests for other information.* During the period of performance, recipients shall provide to the Secretary periodic reports providing detailed accounting of the uses of funds."

Cause

A proper system of internal controls over the P&E Report was not designed by management of the County to ensure the County provided the Treasury with complete and accurate information related to the SLFRF awards. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the County's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions of the federal award could result in the loss of future federal funding to the County.

In addition, not meeting the SLFRF reporting requirements increases the likelihood that the public will not have access to transparent and accurate information regarding expenditures of federal awards.

Questioned Costs

There were no questioned costs identified.

JOHNSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that management of the County design and implement a proper system of internal controls, including policies and procedures to ensure that the County provides the Treasury with complete and accurate information for the P&E Report.

Views of Responsible Officials

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

FINDING 2022-003

Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery
Funds - Procurement and Suspension and Debarment
Federal Agency: Department of the Treasury
Federal Program: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
Assistance Listings Number: 21.027
Federal Award Number and Year (or Other Identifying Number): FY 2022
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

Prior to entering into subawards and covered transactions with the State and Local Fiscal Recovery Funds (SLFRF) award funds, recipients are required to verify that such contractors and subrecipients are not suspended, debarred, or otherwise excluded. "Covered transactions" include, but are not limited to, contracts for goods and services awarded under a nonprocurement transaction (i.e., grant agreement) that are expected to equal or exceed \$25,000. The verification is to be done by checking the Excluded Parties List System (EPLS), collecting a certification from that person, or adding a clause or condition to the covered transaction with that person.

The County's policies related to SLFRF suspension and debarment requirements included the appropriate provisions for suspension and debarment be in the contract. Of the seven covered transactions, totaling \$3,881,545, identified that were paid from SLFRF funds during the audit period, all seven were selected for testing to verify the County followed its procedures related to suspension and debarment.

Of the seven covered transactions tested, three did not follow the County's procedures as outlined above. The three covered transactions, totaling \$270,301, did not include the appropriate provisions in the contracts nor did the County require a certification or check the EPLS to ensure the entity was not suspended or debarred prior to making payment.

The lack of internal controls and noncompliance were isolated to the transactions noted above.

JOHNSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.214 Suspension and debarment states:

"Non-federal entities and contractors are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. The regulations in 2 CFR part 180 restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities."

31 CFR 19.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the EPLS; or
- (b) Collecting a certification from that person if allowed by this rule; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

The system of internal controls as established by management of the County was not properly implemented to ensure that the policies and procedures in place related to suspension and debarment were appropriately followed.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, vendors to whom payments equal to or in excess of \$25,000 were not verified to be not suspended, debarred, or otherwise excluded.

Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions of the federal award could result in the loss of future federal funding to the County.

JOHNSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the County establish a proper system of internal controls, including strengthening its policies and procedures to ensure its compliance with requirements related to suspension and debarment.

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the County. The documents are presented as intended by the County.



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Summary Schedule of Prior Audit Findings

Finding 2021-001 Financial Statement Corrections

Fiscal year in which the finding initially occurred: 2021

Status of Audit Finding: Not corrected. Moving forward, we are going to discuss a better plan with our vendor, Baker Tilly, on understanding how they use our work papers to prepare the annual financial statements so when we review them, we can make sure they are accurate.

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

Fiscal year in which the finding initially occurred: 2021

Status of Audit Finding: This has been corrected on the SEFA. Moving forward we will work harder to ensure that the correct Assisted Listing Number (ALN) is listed for each grant. If we are unsure, we will contact the department or agency to verify the number from the entity issuing the grant. *(Note: even though the ALN was wrong, all federal dollars were correct.)*

Finding 2021-003 Formula Grants for Rural Areas – Assistance Listing No. 20.509

Fiscal year in which the finding initially occurred: 2021

Status of Audit Finding: We plan on amending the agreement with Gateway Services, Inc d/b/a Access Johnson County Public-Transit at the July 24, 2023 Commissioners' meeting to include the ALN number and other federal requirements, including language for debarment and suspension.



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**JOHNSON COUNTY, INDIANA
CORRECTIVE ACTION PLAN
YEAR ENDED DECEMBER 31, 2022**

FINDING 2022-001

Finding Subject: Financial Transactions and Reporting

Summary of Finding:

Material Weakness, Other Matters. Component Units capital assets and net position was understated.

Contact Person Responsible for Corrective Action: Elizabeth A. Alvey

Contact Phone Number and Email Address: 317.346.4312

Views of Responsible Officials:

“We concur with the finding.”

Description of Corrective Action Plan:

The County will work with our consultant to enhance procedures to ensure accurate reporting of component units’ financial information. During 2022, and previous years, reliance has solely been placed on the component units’ annual financial report without requesting supplementary data. During the County’s 2023 compilation, the County has directed our consultant to request supporting data for amounts reported in the annual financial report and perform additional analysis prior to reporting it in the County’s financial statements.

Anticipated Completion Date:

May 31, 2024

FINDING 2022-002

Finding Subject: COVID-19 – Coronavirus State and Local Fiscal Recovery Funds - Reporting

Summary of Finding:

Material Weakness, other matters. 2022 Q4 P&E report failed to include a \$1,500,000 expenditure. Recommendation is that management of County design and implement a proper system of internal control including policies and procedures to ensure that the County provides Treasury with complete and accurate information for the P&E report.

Contact Person Responsible for Corrective Action: Adam Gadberry

Contact Phone Number and Email Address: 317.346.4392 agadberry@co.johnson.in.us

Views of Responsible Officials:

“We concur with the finding.”

Description of Corrective Action Plan:

The \$1,500,000 expenditure for road repairs was one of two tranches for road repairs. The first tranche was in the proper location of -122 while the second tranche was placed in location -201 and as a result the expenditure was inadvertently missed. The County became aware of the issue and included this expenditure on the subsequent P&E Report for Q2. Moving forward as programs are added, the location of those funds should be in location -122. When they must be in a different location, access will be given to the Board of Commissioners Executive/Administrative Assistant to track expenditures.

Anticipated Completion Date:

June 30, 2024



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FINDING 2022-003

Finding Subject: COVID-19 – Coronavirus State and Local Fiscal Recovery Funds – Procurement and Suspension and Debarment
Summary of Finding:

Material Weakness, Modified Opinion. Three contracts out of seven did not include the suspension and debarment requirements. The County has already executed addendums with the contractors to correct this issue.

Contact Person Responsible for Corrective Action: Adam Gadberry

Contact Phone Number and Email Address: 317.346.4392 agadberry@co.johnson.in.us

Views of Responsible Officials:

“We concur with the finding.”

Description of Corrective Action Plan:

The County has already added the suspension and debarment language to the County’s standard contracts for SLRF projects. County has also added checking for suspension and debarment to the County’s contract checklist.

Anticipated Completion Date:

December 31, 2023

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/>.