

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

HOWARD COUNTY, INDIANA

January 1, 2023 to December 31, 2023



**FILED**  
08/27/2024



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Jessica Secrease	01-01-23 to 12-31-24
County Treasurer	Christie Branch	01-01-23 to 12-31-24
Clerk of the Circuit Court	Debbie Stewart	01-01-23 to 12-31-24
County Sheriff	Jerry Asher	01-01-23 to 12-31-24
County Recorder	Torie Kelley	01-01-23 to 12-31-24
President of the Board of County Commissioners	Brad Bray	01-01-23 to 12-31-24
President of the County Council	John Roberts	01-01-23 to 12-31-24



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 HOWARD 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 Howard County (County), for the year ended December 31, 2023, and the related notes to the financial statement, which collectively comprise the County's financial statement and have issued our report thereon dated August 14, 2024, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***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 14, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE 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 HOWARD COUNTY, INDIANA

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

***Qualified Opinion***

We have audited Howard 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 its major federal program for the year ended December 31, 2023. The County's major federal program is 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 Opinion* 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, 2023.

**Basis for Qualified Opinion**

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 THE 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 item 2023-001 for Reporting. Compliance with such requirement is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

**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:

- 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.

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

**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 2023-002. Our opinion on the 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 2023-001 and 2023-002, to be material weaknesses.

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.

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

**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, 2023, and the related notes to the financial statement. We issued our report thereon dated August 14, 2024, 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 14, 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.

HOWARD COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2023

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			
KYC School Breakfast			FY 2023	\$ -	\$ 15,096
National School Lunch Program	Indiana Department of Education	10.555			
KYC School Lunch			FY 2023	-	39,514
Total - Child Nutrition Cluster				-	54,610
Total - Department of Agriculture				-	54,610
<u>Department of Justice</u>					
Crime Victim Assistance	Indiana Criminal Justice Institute	16.575			
VOCA - Adult Probation			2020-V2-GX-0011	-	79,123
VOCA - CASA			15POVC-21-GG-00625-ASSI	-	32,000
VOCA - CASA			2019-V2-GX-0014	-	26,008
Total - Crime Victim Assistance				-	137,131
Violence Against Women Formula Grants	Indiana Criminal Justice Institute	16.588			
Stop Violence Against Women			15JOVW-21-GG-0544-STOP	-	34,198
Stop Violence Against Women			2019-WF-AX-0005	-	11,400
Total - Violence Against Women Formula Grants				-	45,598
Public Safety Partnership and Community Policing Grants	Indiana Criminal Justice Institute	16.710			
COPS Hiring Program (CHP)			2020UMWX0466	-	204,272
Total - Department of Justice				-	387,001
<u>Department of Transportation</u>					
Highway Safety Cluster					
State and Community Highway Safety	Indiana Criminal Justice Institute	20.600			
Click It to Live It			CHRIIP-2023-00070	-	5,782
Stop Arm Violation Enforcement			CHRIIP-2023-00070	-	3,261
Total - State and Community Highway Safety				-	9,043
National Priority Safety Programs	Indiana Criminal Justice Institute	20.616			
Non-Motorist			CHRIIP-2023-00070	-	4,869
Total - Highway Safety Cluster				-	13,912
Highway Planning and Construction	Indiana Department of Transportation	20.205			
Cumulative Bridge			DES 1902780	-	49,542
Cumulative Bridge			DES 2101185	-	88,551
Total - Highway Planning and Construction				-	138,093
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	Indiana Criminal Justice Institute	20.608			
DUI Taskforce			CHRIIP-2023-00070	-	11,788
Total - Department of Transportation				-	163,793

HOWARD COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2023

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 the Treasury</u>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds American Rescue Plan (ARP)	Direct Grant	21.027	FY 2023	-	3,162,079
Total - Department of the Treasury				-	3,162,079
<u>Department of Health and Human Services</u>					
Public Health Emergency Preparedness PHEP Base	Indiana State Department of Health	93.069	FY 2023	-	13,449
Immunization Cooperative Agreements Immunizations & Vaccines	Indiana State Department of Health	93.268	NH23IP922631	-	16,860
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) Health - Local Testing	Indiana State Department of Health	93.323	FY 2023	-	64,632
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response Public Health Crisis Response	Indiana State Department of Health	93.354	FY 2023	-	97,339
Child Support Services	Indiana Department of Child Services	93.563			
Child Support Enforcement			CY 2023	-	654,946
Child Support Enforcement			CY 2023	-	93,663
Child Support Enforcement			CY 2023	-	26,652
Child Support Enforcement			CY 2023	-	127,503
Child Support Enforcement			CY 2023	-	17,593
Total - Child Support Services				-	920,357
Foster Care Title IV-E Title IV-E Reimbursements	Indiana Public Defender Commission	93.658	CY 2023	-	17,693
Opioid STR	Indiana Supreme Court	93.788			
SIM - Addiction Response			23-5JC89-C34-4	-	57,306
SIM - Addiction Response			24-5JC89-C34-4	-	22,881
Total - Opioid STR				-	80,187
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs SUID/SDY Case Registry	Indiana State Department of Health	93.946	FY 2023	-	5,000
Total - Department of Health and Human Services				-	1,215,517
<u>Department of Homeland Security</u>					
Emergency Management Performance Grants EMPG - Salaries	Indiana State Department of Homeland Security	97.042	EMC-2022-EP-00005	-	49,406
Total - Department of Homeland Security				-	49,406
Total federal awards expended				\$ -	\$ 5,032,406

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

HOWARD 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, 2023. 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.

HOWARD 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?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
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 Program and type of auditor's report issued on compliance for it:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	Qualified

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**

No matters are reportable.

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

**FINDING 2023-001**

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 2023  
 Compliance Requirement: Reporting  
 Audit Findings: Material Weakness, Modified Opinion

HOWARD COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2022-001.

*Condition and Context*

Recipients are required to submit quarterly or annually Project and Expenditure (P&E) reports to the U.S. 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 contract 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 the 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 are 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 Deputy County Auditor prepared the quarterly reports, and the County Auditor reviewed the reports; however, the internal control was not effective and did not detect and allow correction of material misstatements prior to submission.

Two of the four quarterly reports submitted during the audit period were selected for testing. For the two reports tested, all activity for the reporting period was not included, information submitted was not supported by the County's records, and the reports were not fairly presented. Errors identified included the following:

Quarter 1 report (January 1, 2023 to March 31, 2023)

- The Total Cumulative Obligations were understated by \$2,937.
- The Current Period and Total Cumulative Expenditures were overstated by \$62.

Quarter 3 report (July 1, 2023 to September 30, 2023)

- The Total Cumulative Obligations were understated by \$118,025.
- The Current Period Expenditures were understated by \$56,781.
- The Total Cumulative Expenditures were understated by \$147,930.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

*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). . . ."

HOWARD COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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. . . ."

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. . . ."

*Cause*

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. These errors were due to not all expenditures being included in the P&E reports ran for the time frame.

*Effect*

Without the proper implementation of an effectively designed system of internal controls over reporting, the County could not ensure that the P&E reports submitted were accurate. 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.

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.

*Questioned Costs*

There were no questioned costs identified.

*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.

HOWARD COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**FINDING 2023-002**

Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Suspension and Debarment  
Federal Agency: Department of the Treasurer  
Federal Program: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds  
Assistance Listings Number: 21.027  
Federal Award Number and Year (or Other Identifying Numbers): FY 2023  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

*Condition and Context*

Prior to entering into subawards and covered transactions with the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) awards 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 expended 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 requirement included checking the EPLS for vendor suspension and debarment. Of the 16 covered transactions, totaling \$3,039,637.60, identified that were paid from the SLFRF funds during the audit period, 3 were selected for testing to verify the County followed its procedures related to suspension and debarment.

Of the 3 covered transaction tested, 1 did not follow the County's procedures as outlined above. The 1 covered transaction, totaling \$47,283, 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 transaction noted above.

*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 states:

"Non-federal entities 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."

HOWARD COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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. The County did not verify for one covered transaction identified in testing that the entity was not suspended or debarred prior to entering into the covered transaction.

*Effect*

Without the proper implementation of an effectively designed system of internal controls, the County could not ensure the vendors paid with federal funds were eligible to participate in federal programs. Any program funds the County used to pay vendors that have been suspended or debarred would be unallowable, and the funding agency could potentially recover them.

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.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended the County strengthen its system of internal controls to ensure vendors that are paid \$25,000 or more, all or in part with federal funds, are not suspended or debarred from participating in federal programs before entering into any covered transactions.

*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.

**Jessica Secrease  
Auditor**

**Mackenzie Jackson  
Chief Deputy**



**Howard County Auditor  
Administration Center  
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Phone: (765) 456-2215**

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2021-003***

**Fiscal year in which the finding initially occurred: 2021**

**Current Audit Period: 1/1/2023 – 12/31/2023**

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

**Summary of Finding:**

*Policy*

The County addressed conflicts of interest in the County's Personnel Policies Handbook. However, it did not include standards of conduct covering conflicts of interest or how to govern the actions of its employees engaged in selection, award, and administration of contracts supported by federal awards. Additionally, the County did not have a policy to use statutorily or administratively imposed in-state or local geographical preferences in the evaluation of bids or proposals.

*Procurement*

Federal regulations for the purchase of property and services are to reflect applicable state laws and regulations and meet all other federal requirements for procurement. The more restrictive of state law or federal regulations should be adhered to when purchasing property with federal award dollars. The County purchased a building for \$201,631 without following applicable procurement procedures defined in Indiana Code 36-1-10.5. The County did not obtain appraisals, as required, for the purchase.

*Suspension and Debarment*

The County did not have procedures in place to verify vendors were not suspended, debarred, or otherwise excluded from or ineligible for participation in federal assistance programs or activities.

**Status of Audit Finding:** Partially corrected.

**Response Comments:** Controls were implemented for procurement and suspension and debarment, however the controls over suspension and debarment were not effective and issues still occurred in 2023. The County will now review any vendors paid with federal grant funding on SAM.gov to see if they are suspended or debarred. This is tracked on a spreadsheet in the Auditor's Office. One employee reviews the vendor on SAM.gov, and another employee verifies the information.

**Jessica Secrease  
Auditor**



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**Mackenzie Jackson  
Chief Deputy**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2022-001***

**Fiscal year in which the finding initially occurred: 2022**

**Current Audit Period: 1/1/2023 – 12/31/2023**

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

**Summary of Finding:** The County submitted four P&E reports during the audit period; however, a single employee prepared and submitted each P&E report without a review or oversight process in place to prevent, or detect and correct errors.

**Status of Audit Finding:** Partially corrected.

**Response Comments:** The County implemented controls over reporting, however they were not effective and issues still occurred in 2023. The Chief Deputy will continue to prepare and submit reports. The Auditor will review and approve any reporting prior to submission to help detect material errors. Initialed reports will be kept within the grant file.

**Jessica Secrease  
Auditor**

**Mackenzie Jackson  
Chief Deputy**



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

***FINDING 2022-002***

**Fiscal year in which the finding initially occurred: 2021**

**Current Audit Period: 1/1/2023 – 12/31/2023**

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

**Summary of Finding:** The County addressed conflicts of interest in the County's Personnel Policies Handbook. However, it did not include standards of conduct covering conflicts of interest or how to govern the actions of its employees engaged in selection, award, and administration of contracts supported by federal awards.

**Status of Audit Finding:** Fully Corrected and the original corrective action was implemented.

**Jessica Secrease  
Auditor**

**Mackenzie Jackson  
Chief Deputy**



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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2022-003***

**Fiscal year in which the finding initially occurred: 2022**

**Current Audit Period: 1/1/2023 – 12/31/2023**

**Finding Subject:** COVID-19 – Coronavirus State and Local Fiscal Recovery Funds – Equipment and Real Property Management

**Summary of Finding:** During the audit period, the County had one disposal. The disposal was a building that was originally purchased with SLFRF grant funds in 2021 for \$201,631. At the time of purchase, the County did not obtain the required appraisals, as such the purchase was considered a questioned cost in the prior audit. In 2022, the County had an agreement to sell the building to a non-profit organization for \$200,000. However, the County did not adhere to the agreement, nor request instruction from the federal awarding agency. Instead, the County gave the building, without approval from the federal awarding agency, to the non-profit organization. As such, the County did not follow proper protocol for the disposition of real property.

**Status of Audit Finding:** Not corrected.

**Response Comments:** The County has been working to implement new procedures but was not been able to fully implement the corrective action plan for 2023. The County will maintain adequate property records for the State and Local Fiscal Recovery Funds. In the future, the Auditor's Office will request that the County Commissioners and County Attorney provide all necessary information in order for records to be maintained properly.



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Jessica Secrease  
Auditor

Mackenzie Jackson  
Chief Deputy

## CORRECTIVE ACTION PLAN

### ***FINDING 2023-001***

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

**Summary of Finding:** The Deputy Auditor prepared the quarterly reports and the Auditor reviewed the reports; however, the control was not effective and did not detect and allow correction of material misstatements prior to submission.

Two of the four quarterly reports submitted during the audit period were selected for testing. For the two reports tested, all activity for the reporting period was not included, information submitted was not supported by the County's records, and the reports were not fairly presented

**Contact Person Responsible for Corrective Action: Jessica Secrease**

**Contact Phone Number and Email Address:** 765-456-2804 [Jessica.secrease@howardcountyin.gov](mailto:Jessica.secrease@howardcountyin.gov)

**Views of Responsible Officials:** We concur with the finding.

**Description of Corrective Action Plan:** The County will follow the internal controls established, including policies and procedures to ensure that the County provides the Treasury with complete and accurate information for the P&E Report in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

The Chief Deputy will continue to work with the Projects Manager to ensure the reporting is accurate and all obligations and expenditures are reported correctly before sending the information to a third-party vendor. The Auditor will review and approve any reporting prior to submission. Initialed reports will be kept within the grant file.

**Anticipated Completion Date:** September 2024



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Jessica Secrease  
Auditor

Mackenzie Jackson  
Chief Deputy

***FINDING 2023-002***

**Finding Subject:** COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Suspension and Debarment

**Summary of Finding:** Of the three covered transaction tested, one did not follow the County's procedures as outlined above. The one covered transaction, totaling \$47,283, 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.

**Contact Person Responsible for Corrective Action: Jessica Secrease**

**Contact Phone Number and Email Address:** 765-456-2804 [Jessica.secrease@howardcountyin.gov](mailto:Jessica.secrease@howardcountyin.gov)

**Views of Responsible Officials:** We concur with the finding.

**Description of Corrective Action Plan:** The County will continue to review any vendors paid with federal grant funding on SAM.gov to see if they are suspended or debarred. This is tracked on a spreadsheet in the Auditor's Office. One employee reviews the vendor on SAM.gov, and another employee verifies the information. We will ensure this internal control is implemented.

**Anticipated Completion Date:** September 2024

## 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/>.