

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

HENRY COUNTY, INDIANA

January 1, 2023 to December 31, 2023



**FILED**

09/17/2024



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Debra Walker	01-01-23 to 12-31-24
County Treasurer	Bill Upchurch	01-01-23 to 12-31-24
Clerk of the Circuit Court	Jennifer Grubbs	01-01-23 to 12-31-24
County Sheriff	John Sproles	01-01-23 to 12-31-24
County Recorder	Lisa Loveless	01-01-23 to 12-31-24
President of the Board of County Commissioners	Steve Dellinger Joe Wiley	01-01-23 to 12-31-23 01-01-24 to 12-31-24
President of the County Council	Kenon Gray	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 HENRY 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 Henry 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 27, 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, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001, that we consider to be significant deficiencies.

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*.

***Henry County's Response to Findings***

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

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth Kelley, CPA, CFE  
Deputy State Examiner

August 27, 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 HENRY COUNTY, INDIANA

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

***Qualified Opinion***

We have audited Henry 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.

***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 2023-002 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.

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)

***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.

***Other 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.

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 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 and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2023-002, to be material weaknesses.

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 item 2023-003, to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* 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 27, 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 27, 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.

HENRY 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 Housing and Urban Development</u>					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii ECONOMIC DEVELOPMENT	INDIANA OFFICE OF COMMUNITY AND RURAL AFFAIRS	14.228	CV-CV1-303	\$ -	\$ 240,000
Total - Department of Housing and Urban Development				-	240,000
<u>Department of the Interior</u>					
Fish and Wildlife Cluster					
Wildlife Restoration and Basic Hunter Education and Safety Wildlife Restoration	DIRECT	15.611	FY2023	-	1,292
Total - Fish and Wildlife Cluster				-	1,292
Total - Department of the Interior				-	1,292
<u>Department of Justice</u>					
Equitable Sharing Program HOMELAND SECURITY	DIRECT	16.922	DEA#	-	2,958
Total - Equitable Sharing Program				-	2,958
Total - Department of Justice				-	2,958
<u>Department of Transportation</u>					
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs AIRPORT IMPROVEMENT PROGRAM	DIRECT	20.106	3-18-0061-16	-	296,466
Highway Planning and Construction					
SIGN REPLACEMENT PROJECT	INDIANA DEPARTMENT OF TRANSPORTATION	20.205	DES#1600958	-	2,493
SIGN REPLACEMENT PROJECT			DES#1600958	-	369
SIGN REPLACEMENT PROJECT			DES#1702758	-	6,082
SIGN REPLACEMENT PROJECT			DES#1702758	-	6,351
Cumulative Bridge			DES#1902070	-	50,761
SIGN REPLACEMENT PROJECT			DES#2101743	-	34,382
Total - Highway Planning and Construction				-	100,438
Total - Department of Transportation				-	396,904
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds ARP CORONAVIRUS RECOVERY FUND	DIRECT	21.027	FY2023	-	1,146,340
Total - COVID-19 - Coronavirus State and Local Fiscal Recovery Funds				-	1,146,340
Total - Department of the Treasury				-	1,146,340

HENRY 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 Health and Human Services</u>					
Public Health Emergency Preparedness BIO-TERRORISM	INDIANA STATE DEPARTMENT OF HEALTH	93.069	FY2023	-	23,037
Immunization Cooperative Agreements IMMUNIZATIONS & VACCINES FOR CHILDREN	DEPARTMENT OF HEALTH AND HUMAN SERVICES	93.268	NH23IP922631	-	89,769
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response WORKFORCE DEV COAG	INDIANA STATE DEPARTMENT OF HEALTH	93.354	FY2023	-	93,850
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution ARP Rural	DEPARTMENT OF HEALTH AND HUMAN SERVICES	93.498	FY2023	-	24,178
Child Support Services CLERK INCENTIVE PROSECUTOR INCENTIVE TITLE IV-D INCENTIVE(66%) INDIRECT COSTS PROSECUTOR IV-D COURTS IV-D CLERK IV-D	INDIANA DEPARTMENT OF CHILD SERVICES	93.563	1504 & 1604 INCSES 1504 &1604 INCSES 1604 & 1704 INCSES 1604 & 1704 INCSES 1704 & 1804 INCSES 1704 & 1804 INCSES 1704 & 1804 INCSES	- - - - - - -	11,369 33,203 14,912 131,295 158,464 28,562 34,092
Total - Child Support Services				-	411,897
Total - Department of Health and Human Services				-	642,731
<u>Department of Homeland Security</u>					
Emergency Management Performance Grants EMERGENCY MGT PERFORMANCE	INDIANA DEPARTMENT OF HOMELAND SECURITY	97.042	EMC-2022-EP-00005-S01	-	25,320
Total - Department of Homeland Security				-	25,320
Total federal awards expended				\$ -	\$ 2,455,545

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

HENRY 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.

HENRY 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?	yes
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	yes
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 Funds	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**

**FINDING 2023-001**

Subject: Financial Transactions and Reporting - County Treasurer  
Audit Finding: Significant Deficiency

*Condition and Context*

The County Treasurer did not have a proper system of internal controls in place over financial transactions and reporting to ensure accurate reporting of the Supplemental Annual Financial Report (CAR-1 report). The County Treasurer provided incorrect information on the CAR-1 report provided to the County Auditor's Office. Although an oversight or review process was documented as the Deputy County Treasurer prepared the CAR-1 report, and the County Treasurer reviewed it before submitting to the County Auditor, it did not prevent, or detect and correct, the errors to ensure that financial information recorded and reported was accurate and complete.

HENRY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*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. . . ."

*Cause*

Management of the County had not established a proper system of internal controls that would have ensured proper reporting of financial transactions.

*Effect*

Without a proper system of internal controls in place, material misstatements or regularities could have occurred and remained undetected.

*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 2023-002**

Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - 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): FY2023  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

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

HENRY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition and Context*

The County elected to receive the standard revenue loss allowance, allowing the County to claim its total State and Local Fiscal Recovery Funds (SLFRF) allocation of \$9,500,777 as revenue loss to use for government services. As such, all SLFRF program funds during the audit period were expended under the revenue loss eligible use category. The U.S. Department of the Treasury (Treasury) determined that there are no subawards under this eligible use category, and that recipients' use of revenue loss funds would not give rise to subrecipient relationships given that there is no federal program or purpose to carry out in the case of the revenue loss portion of the award.

Prior to entering into subawards and covered transactions with SLFRF funds, recipients are required to verify that such contracts 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. Due to the Treasury's determination that the revenue loss eligible use category does not give rise to subawards, the County was only required to comply with suspension and debarment requirements related to covered transactions.

Upon inquiry of the County to review the procedures in place for verifying that an entity with which it plans to enter into a covered transaction is not suspended, debarred, or otherwise excluded or disqualified from participating in federal assistance programs or activities, the County divulged they had no process in place during the audit period. Of the 13 total covered transactions for goods or services paid from the SLFRF program funds during the audit period, 3 transactions were selected for testing. Due to the County not having policies or procedures in place to verify the vendor's suspension or debarment status, the County did not verify any of the 3 vendors' statuses prior to payment.

The lack of internal controls and noncompliance were a systemic issue 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). . . ."

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:

HENRY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (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*

A proper system of internal controls was not designed by management of the County. 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. As a result, vendors to whom payments equal to or in excess of \$25,000 were made were not verified to be not suspended, debarred, or otherwise excluded. Any program funds the County used to pay contractors 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 that management of the County establish a proper system of internal controls and develop policies and procedures to ensure contractors and subrecipients, as appropriate, are not suspended, debarred, or otherwise excluded prior to entering into any contracts or subawards.

*Views of Responsible Officials*

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

**FINDING 2023-003**

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): FY2023  
Compliance Requirement: Reporting  
Audit Finding: Significant Deficiency

HENRY 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 2022-002.

*Condition and Context*

The County had not established an effective system of internal controls 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 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 contracts for the appropriate reporting period.

The County was classified as a county with a population below 250,000 residents that received an allocation of less than \$10 million in State and Local Fiscal Recovery Funds funding. As such, the initial P&E report, covering the period from March 3, 2021 to March 31, 2022, was required to be submitted to the Treasury by April 30, 2022. The subsequent annual reports are to cover one calendar year and must be submitted to the Treasury by April 30 each year.

The County submitted one P&E report during the audit period. The Chief Deputy County Auditor was responsible for preparing and submitting the P&E report, and the County Auditor reviewed and approved the report prior to submission; however, there was no documentation that suggested that this review process was in place that could be provided.

The lack of internal controls was systemic 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). . . ."

*Cause*

A proper system of internal controls over the P&E report was not designed by management of the County. 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.

HENRY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*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.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the County's management design and implement a proper system of internal controls. In addition, we recommended that review processes and procedures be documented and retained for audit.

*Views of Responsible Officials*

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

#### AUDITEE-PREPARED DOCUMENTS

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



**Debra G. Walker**  
**Henry County Auditor**  
**101 S. Main Street, Suite 207**  
**New Castle, IN 47362**  
**PHONE: 765-529-2800**  
**E-mail address: [dwalker@henrycounty.in.gov](mailto:dwalker@henrycounty.in.gov)**

May 14, 2024

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2022-001** (Auditor Assigned Reference Number)

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

**Current Audit Period: January 1, 2023 to December 31, 2023**

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

**Summary of Finding:**

A population of 12 covered transactions for goods or services that equaled or exceeded \$25,000 paid from SLFRF funds during the audit period was identified. A sample of 2 transactions, totaling \$728,649 was selected for testing. For each of the 2 transactions, the County did not verify the vendors' suspension and debarment status prior to payment due to the County not having any policies or procedures in place to verify that contractors were neither suspended nor debarred, or otherwise excluded or disqualified from participating in federal assistance programs or activities.

**Status of Audit Finding:**

Not Corrected for current audit period.

**Response Comments:**

The finding was not corrected during the current audit period. The County will either include a clause within the contract for suspension and debarment or the County Auditor and Deputy Auditor will verify that vendor are not suspended or debarred. Corrective action taken would not be in place until 2024 due to the timing of the prior period exit conference.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2022-002** (Auditor Assigned Reference Number)

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

**Current Audit Period: January 1, 2023 to December 31, 2023**

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

**Summary of Finding:**

The Chief Deputy County Auditor was responsible for preparing and submitting the P&E report and the County Auditor reviewed and approved the report prior to submission; however, the review process in place was not effective and did not prevent, or detect and correct, errors. Due to the lack of effective internal controls one expenditure dated March 30, 2022, in the amount of \$47,363 was omitted.

**Status of Audit Finding:**

Not Corrected for current audit period.

**Response Comments:**

The finding was not corrected during the current audit period. The Deputy Auditor will prepare the report and the County Auditor will review the report prior to submission to ensure no errors were made. Corrective action taken would not be in place until 2024 due to the timing of the prior period exit conference.

Bill Upchurch  
Henry County Treasurer  
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Telephone: 765-529-4404  
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Henry County Courthouse  
101 S. Main Street  
New Castle, IN 47362  
www.henryco.in.gov

## CORRECTIVE ACTION PLAN

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

**Finding Subject:** Financial Transactions and Reporting - County Treasurer  
**Summary of Finding:**

The County Treasurer did not have a proper system of internal controls in place over financial transactions and reporting to ensure accurate reporting of the Supplemental Annual Financial Report (CAR-1 report). The County Treasurer provided incorrect information on the CAR-1 provided to the County Auditor's Office. An oversight or review process was documented but did not prevent, or detect and correct, the errors to ensure that financial information recorded and reported was accurate and complete. Due to the lack of internal controls, receipts of the Treasurer's after settlement fund were overstated by \$506,435.

**Contact Person Responsible for Corrective Action:** Bill Upchurch  
**Contact Phone Number and Email Address:** 765-529-4404 bupchurch@henrycounty.in.gov

### **Views of Responsible Officials:**

We concur with the finding for the Financial Transactions and Reporting for our office.

### **Description of Corrective Action Plan:**

For the 2024 CAR-1 Report, the Deputy Treasurer will fill out the form correctly and check the numbers more closely than they were for the 2023 CAR-1 Report. I will have it reviewed more closely by the County Treasurer before sending to the County Auditor.

### **Anticipated Completion Date:**

Next CAR-1 Report for 2024 due in January of 2025.



**Debra G. Walker**  
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## CORRECTIVE ACTION PLAN

### ***FINDING 2023-002***

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

#### **Summary of Finding:**

Upon inquiry of the County in order to review the procedures in place for verifying that an entity with which it plans to enter into a covered transaction is not suspended, debarred, or otherwise excluded, the County divulged that they had no process in place during the audit period. A population of 13 covered transactions for goods or services were paid from Coronavirus State and Local Fiscal Recovery Fund funds during the audit period. A sample of 3 transactions were selected for testing. The County did not verify the vendors' suspension and debarment status prior to payment due to the County not having policies or procedures in place to verify that contracted were neither suspended nor debarred, or otherwise excluded or disqualified from participating in federal assistance programs or activities. Due to the number and magnitude of exceptions identified, per auditor judgement, we concluded it would not be appropriate to expand the sample size or perform any additional procedures.

**Contact Person Responsible for Corrective Action: Debra Walker**

**Contact Phone Number and Email Address: 765-529-2800 [dwalker@henrycounty.in.gov](mailto:dwalker@henrycounty.in.gov)**

#### **Views of Responsible Officials:**

We concur with the findings. Since we did not see anything on the vendor we did not print of the blank page.

#### **Description of Corrective Action Plan:**

The County Auditor and Deputy Auditor will check the SAM.gov website then fill out and sign Debarment and Suspension Certification.

#### **Anticipated Completion Date:**

Immediately

***FINDING 2023-003***

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

The County submitted one Project and Expenditure report during the audit period. The Chief Deputy County Auditor was responsible for preparing and submitting the Project and Expenditure report and the County Auditor reviewed and approved the report prior to submission; however, there was no documentation that suggested that this review process was in place that could be provided.

**Contact Person Responsible for Corrective Action:** Debra Walker  
**Contact Phone Number and Email Address:** 765-529-2800 [dwalker@henrycounty.in.gov](mailto:dwalker@henrycounty.in.gov)

**Views of Responsible Officials:**

We concur with the findings.

**Description of Corrective Action Plan:**

The County Auditor and Deputy Auditor will review the Project and Expenditure report together and sign the printed out copy of the report.

**Anticipated Completion Date:**

Immediately.

## OTHER REPORTS

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