

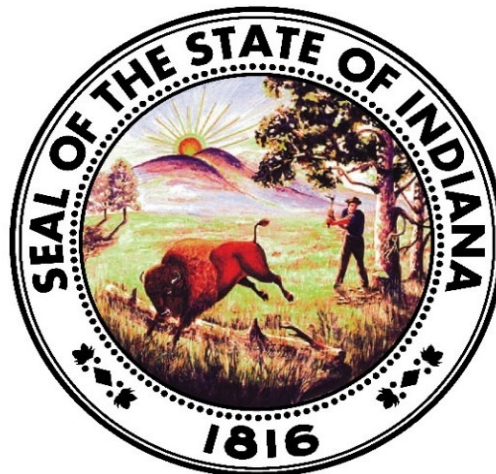
**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

FEDERAL COMPLIANCE AUDIT REPORT

OF

MONTGOMERY COUNTY, INDIANA

January 1, 2023 to December 31, 2023



**FILED**  
09/30/2024



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Mindy Byers	01-01-23 to 12-31-24
County Treasurer	Heather Laffoon	01-01-23 to 12-31-24
Clerk of the Circuit Court	Karyn Douglas Lean Denbo Sondra Sixberry	01-01-23 to 12-31-23 01-01-24 to 07-26-24 07-27-24 to 12-31-24
County Sheriff	Ryan Needham	01-01-23 to 12-31-24
County Recorder	Jennifer Pursell Nancy Cox	01-01-23 to 04-05-24 04-06-24 to 12-31-24
President of the Board of County Commissioners	John Frey	01-01-23 to 12-31-24
President of the County Council	David Hunt	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 MONTGOMERY 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 Montgomery 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 September 26, 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

September 26, 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 MONTGOMERY COUNTY, INDIANA

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

***Qualified Opinion***

We have audited Montgomery 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 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 or 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 2023-001 for Procurement, 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. Non-compliance 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.

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 September 26, 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

September 26, 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.

MONTGOMERY 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	Pass-Through To Subrecipient	Total Federal Awards Expended
<u>Department of Justice</u>					
Bulletproof Vest Partnership Program BULLETPROOF VEST GRANT	DIRECT GRANT	16.607	CY2023	\$ -	\$ 4,008
Total - Department of Justice				-	4,008
<u>Department of Transportation</u>					
Highway Planning and Construction	INDIANA DEPARTMENT OF TRANSPORTATION	20.205			
COUNTYWIDE BRIDGE INSPECTION AND INVENTORY PROGRAM 2018-2021			800210172300LC1	-	27,448
COUNTYWIDE BRIDGE INSPECTION AND INVENTORY PROGRAM 2018-2021			800210171500LC1	-	29,992
COUNTYWIDE BRIDGE INSPECTION AND INVENTORY PROGRAM 2018-2021			800210171300LC1	-	27,885
COUNTYWIDE BRIDGE INSPECTION AND INVENTORY PROGRAM 2018-2021			800210010200LC1	-	64,910
Bridge Inspection FY22			800200301600LC1	-	13,881
Total - Highway Planning and Construction				-	164,116
Interagency Hazardous Materials Public Sector Training and Planning Grants FY23 HMEP CONFINED SPACE TRN	INDIANA DEPARTMENT OF HOMELAND SECURITY	20.703	693JK32240055HMEP	-	16,000
Total - Department of Transportation				-	180,116
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus Relief Fund COVID-19 CARES ACT GRANT	INDIANA DEPARTMENT OF HEALTH	21.019	CY2023	-	25,752
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds		21.027			
ARPA CSLFRF GRANT	DIRECT GRANT		SLFRP0752	-	472,873
MACE DRAIN SWIF GRANT	INDIANA FINANCE AUTHORITY		TRSW222154-MACE STORMWATER	-	435,147
Total - COVID-19 - Coronavirus State and Local Fiscal Recovery Funds				-	908,020
Total - Department of the Treasury				-	933,772
<u>Department of Health and Human Services</u>					
Public Health Emergency Preparedness PHEP GRANT 18/19	INDIANA DEPARTMENT OF HEALTH	93.069	U90TP000521	-	25,000
Immunization Cooperative Agreements COMMUNITY VACCINE GRANT	INDIANA DEPARTMENT OF HEALTH	93.268	6 NH23IP922631-02-03	-	52
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response SUPP PH WORKFORCE GRANT	INDIANA DEPARTMENT OF HEALTH	93.354	CDC-RFA-TP18-1802	-	1,000

MONTGOMERY 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	Pass-Through To Subrecipient	Total Federal Awards Expended
Child Support Services	INDIANA DEPARTMENT OF CHILD SERVICES	93.563			
CLERK GEN IV-D REIMB			502IV-D66CNTYF24	-	11,692
PROSECUTOR IV-D GEN REIMB			502IV-DPROGINC23	-	250,302
INDIRECT COSTS REIMBURSEMENT IV-D			502IV-D66CNTYF24	-	70,603
TITLE IV INCENTIVE			502IV-DINCENF21	-	16,726
PROSECUTOR IV-D INCENTIVE			502IV-DCENF22	-	25,161
CLERK GEN IV-D INCENTIVE			502IV-DCENF22	-	16,726
Total - Child Support Services				-	391,210
Opioid STR	INDIANA SUPREME COURT	93.788			
FY22 SIM GRANT			22-5JC89-C54-001	-	8,992
FY22 SIM GRANT			24-5JC89-C54-001	-	683
Total - Opioid STR				-	9,675
Total - Department of Health and Human Services				-	426,937
<u>Department of Homeland Security</u>					
Emergency Management Performance Grants	INDIANA DEPARTMENT OF HOMELAND SECURITY	97.042			
FY22 EMPG-C CONFERENCES GRANT			EMC-2022-EP-00005	-	27,259
EMERGENCY MGMT PERFORMANCE GRANT			FR-2019EMPGS-00370	-	44,828
FFY21 EMPG GRANT			CY2023	-	-
Total - Emergency Management Performance Grants				-	72,087
Homeland Security Grant Program	INDIANA DEPARTMENT OF HOMELAND SECURITY	97.067			
FY22 SHSP GRANT			EMW-2021-SS-00032	-	22,122
FY22 SHSP CYBERSECURITY 97.067			EMW-2022-SS-00064	-	142,991
FY22 SHSP CERT CLSSRM MASS NOT			EMW-2022-SS-00064	-	21,262
Total - Homeland Security Grant Program				-	186,375
Total - Department of Homeland Security				-	258,462
Total federal awards expended				\$ -	\$ 1,803,295

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

MONTGOMERY 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.

MONTGOMERY 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 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**

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 - 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 Numbers): SLFRP0752, TRSW222154-MACE STORMWATER

Pass-Through Entity: Indiana Finance Authority  
 Compliance Requirement: Procurement and Suspension and Debarment  
 Audit Findings: Material Weakness, Modified Opinion

MONTGOMERY 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 2022-004.

*Condition and Context*

The County elected to receive the standard revenue loss allowance, allowing the County to claim its total COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (SLFRF) allocation of \$7,446,707 as revenue loss to use for government services. As such, all SLFRF program funds 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 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. 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 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 established Ordinance 2023-11 dated August 14, 2023, indicating that all public works contracts were to include a suspension and debarment clause and were aware of the suspension and debarment requirements related to the SLFRF awards. There was only one covered transaction for goods or services that equaled or exceeded \$25,000 paid from SLFRF funds during the audit period in the amount of \$679,002. 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 prior to entering into the contract with the vendor to verify that contractor was neither suspended nor debarred, or otherwise excluded or disqualified from participating in federal assistance programs or activities. The County reported that verification of suspension and debarment was attempted on the [Sam.Gov](https://www.sam.gov) website, but no results were returned.

The lack of internal controls and noncompliance were systematic 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). . . ."

MONTGOMERY 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 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*

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 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 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.

*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 2023-002**

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): SLFRP0752  
Compliance Requirement: Reporting  
Audit Finding: Material Weakness

MONTGOMERY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*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 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. As such, the P&E report, covering the period from April 1, 2022 to March 31, 2023, was required to be submitted to the Treasury by April 30, 2023.

The County submitted the P&E report by April 30, 2023, as required; however, there were no internal controls in place that would likely be effective in preventing, or detecting and correcting, noncompliance related to the P&E report. The County Auditor prepared and submitted the report without an oversight or review process.

The lack of internal controls was a systemic issue throughout the audit period.

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, which would include segregation of key functions 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 including policies and procedures that provide segregation of duties and additional oversight as needed, the internal control system may not have prevented or detected 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.

MONTGOMERY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*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 with review and oversight of the P&E report, 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.

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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.



# *Mindy Byers*

## *Montgomery County Auditor*

September 27, 2024

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

#### ***FINDINGS 2021-001 and 2022-001***

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

**Current Audit Period: 2023**

**Finding Subject: Financial Transactions and Reporting**

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

The County had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report (AFR). The AFR was used to compile the financial statement.

The County failed to properly review the financial information prepared and submitted in Gateway. Although, the County Auditor prepared and entered the information into Gateway and the Board of County Commissioners reviewed and approved the information, the internal control was not effective and did not prevent, or detect and correct, errors as the compiled financial statement did not materially agree with the records of the County.

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

#### **Response Comments:**

*Notes were added to the Fund description to not include in AFR and both the Chief and Auditor reviewed to ensure that it was indeed left out for 2023. Also, will ensure beginning and ending balances as well as receipts and disbursements agree with the auditor's ledger.*

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

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

**Current Audit Period: 2023**

**Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards**

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

The County had not established effective internal controls over the federal award information

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# *Mindy Byers*

## *Montgomery County Auditor*

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entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the County's Schedule of Expenditures of Federal Awards (SEFA).

The County failed to properly review the federal grant information prepared and submitted in Gateway. Although the County Auditor prepared and entered the federal award information into Gateway, and the President of the Board of County Commissioners reviewed and approved the information entered, the internal control was not effective and did not detect or correct errors prior to submission.

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

**Response Comments:**

*We require grant agreements be received in the Auditor's Office prior to assigning Fund numbers, but there remains an issue where some agreements aren't clear at the beginning*

**FINDING 2022-003**

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

**Current Audit Period: 2023**

**Finding Subject: Homeland Security Grant Program – Reporting**

**Summary of Finding:**

The County had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting, material noncompliance. Recipients are required to complete and submit fiscal reports and reimbursement claims to the Indiana Department of Homeland Security.

The County submitted the required reports during the audit period; however, a single employee prepared and submitted the fiscal reports and reimbursement claims without evidence of a review, or oversight, or approval process to prevent, or detect and correct, errors prior to submission.

**Status of Audit Finding:** Fully corrected and the original action plan was implemented.

**Response Comments:**

*We continue to work with Department Heads throughout the grant cycle to ensure all records are up to date and in compliance with the grant guidelines. We will also implement controls where one person prepares the reports, while another reviews them prior to submission.*



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## *Montgomery County Auditor*

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**FINDING 2021-003 and 2022-004**

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

**Current Audit Period: 2023**

**Finding Subject: COVID 19 – Procurement and Suspension and Debarment**

**Summary of Finding:**

Prior to entering into subawards and covered transactions with 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 non-procurement 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 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 were unaware of the suspension and debarment requirements related to the SLFRF awards. There was only one covered transaction for goods or services that equaled or exceeded \$25,000 paid from SLFRF funds during the audit period, in the amount of \$122,698. 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 contractor was neither suspended nor debarred, or otherwise excluded or disqualified from participating in federal assistance programs or activities.

**Status of Audit Finding:** Partially corrected

**Response Comments:**

*Ordinance 2023-11 was approved on August 14, 2023. White Construction is still not found on SAM.gov. We will need a contract amendment from them with their suspension and debarment status.*

**FINDING 2022-005**

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

**Current Audit Period: 2023**

**Finding Subject: COVID-19 - Reporting**

**Summary of Finding:**

The County had not properly designed or implemented a system of internal controls, which would

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# *Mindy Byers*

## *Montgomery County Auditor*

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include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting, material noncompliance. Recipients are required to complete and submit initial and quarterly grant progress reports to the Indiana State Department of Health.

The County submitted the required reports during the audit period; however, a single employee prepared and submitted the reports without evidence of a review or oversight, or approval process to prevent, or detect and correct, errors prior to submission.

### **Status of Audit Finding:**

*Not corrected*

### **Response Comments:**

*There was turnover in the leadership at the Health Department late in 2022, but the current Director is implementing new internal control procedures; one person to create the report and another to review prior to submission*

### **FINDING 2022-006**

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

**Current Audit Period: 2023**

**Finding Subject: COVID-19 – Period of Performance**

### **Summary of Finding:**

The County had not designed, nor implemented a system of internal controls to ensure grant funds were expended during the grant's period of performance. A grant's period of performance is the time frame during which the grant funds may be expended. The period of performance for the grant was identified in the grant agreement.

The County received \$220,000 in advance funding for the grant with a period of performance beginning July 1, 2022. The entirety of the grant funds were receipted into the County's Supp PH Workforce GRT 93.354 fund (grant fund); however, the County disbursed \$36,150 from the grant fund prior to the start of the grant's period of performance. As the grant did not allow for expenditures prior to the beginning of the period performance and approval from the grantor for the costs was not obtained, the total \$36,150 was considered questioned costs.

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

### **Response Comments:**

*We continue to work with Department Heads throughout the grant cycle to ensure all records are up to date and in compliance with the grant guidelines. We will review period of performance with all grant agreements to ensure no payments are made prior to the beginning date.*

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# *Mindy Byers*

## *Montgomery County Auditor*

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### CORRECTIVE ACTION PLAN

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

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

Summary of Finding: Material Weakness, Modified Opinion

Contact Person Responsible for Corrective Action: Mindy Byers

Contact Phone Number: 765-364-6401

Contact Email Address: [mindy.byers@montgomerycounty.in.gov](mailto:mindy.byers@montgomerycounty.in.gov)

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Because the contracts are outside Auditor control, the Auditor has forwarded to county management to request a policy/internal control be created to be put in place. The County has adopted a Suspension and Debarment Policy in August 2023. A certification will be collected from the vendor in the current audit period. In addition, language regarding obtaining a certification that a vendor is not suspended or debarred has been added to the standard language in the contracts.

Anticipated Completion Date: December 31, 2024

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

Finding Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Reporting  
Audit Finding: Material Weakness, Noncompliance

Contact Person Responsible for Corrective Action: Mindy Byers

Contact Phone Number: 765-364-6401

Contact Email Address: [mindy.byers@montgomerycounty.in.gov](mailto:mindy.byers@montgomerycounty.in.gov)

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Auditor and her Chief Deputy completed the P&E report together. Moving forward, the Auditor will print the report and have the Chief Deputy sign off on the report prior to submission.

Anticipated Completion Date: April 1, 2025.

If applicable: Document reason issue will NOT be corrected within six months: The 2024 Project & Expenditure report is not due until April 1, 2025.

## 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/>.