

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

FLOYD COUNTY, INDIANA

January 1, 2019 to December 31, 2019



**FILED**  
08/26/2020



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Scott L. Clark Jacqueline Wenning	01-01-19 to 09-11-19 09-12-19 to 12-31-20
County Treasurer	Lois N. Endris	01-01-19 to 12-31-20
Clerk of the Circuit Court	Danita Burks	01-01-19 to 12-31-20
County Sheriff	Frank Loop	01-01-19 to 12-31-20
County Recorder	Todd Scannell	01-01-19 to 12-31-20
President of the Board of County Commissioners	Billy Stewart Shawn Carruthers	01-01-19 to 12-31-19 01-01-20 to 12-31-20
President of the County Council	Denise Konkle Brad Striegel	01-01-19 to 12-31-19 01-01-20 to 12-31-20



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 FLOYD 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 Floyd County (County), for the year ended December 31, 2019, and the related notes to the financial statement, which collectively comprise the County's financial statement and have issued our report thereon dated August 6, 2020, 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.

***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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001, 2019-002, and 2019-003, that we consider to be material weaknesses.

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

***Compliance and Other Matters***

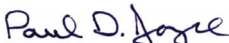
As part of obtaining reasonable assurance about whether the County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001, 2019-002, and 2019-003.

***Floyd County's Response to Findings***

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.

  
Paul D. Joyce, CPA  
State Examiner

August 6, 2020



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

TO: THE OFFICIALS OF FLOYD COUNTY, INDIANA

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

We have audited Floyd County's (County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

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

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

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

**Report on Internal Control over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2019-004, that we consider to be material weaknesses.


The County's response to the internal control over compliance finding 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.

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

**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, 2019, and the related notes to the financial statement. We issued our report thereon dated August 6, 2020, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted 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.

  
Paul D. Joyce, CPA  
State Examiner

August 6, 2020

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

FLOYD COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA 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	2019	\$ -	\$ 6,041
School Breakfast Program					
National School Lunch Program	Indiana Department of Education	10.555	2019	-	7,603
National School Lunch Program					
Total - Child Nutrition Cluster				-	13,644
WIC Special Supplemental Nutrition					
Program for Women, Infants, and Children	Indiana Department of Health	10.557			
WIC			40010557WPCG019	-	12,586
WIC			40010557WICAD19	-	220,571
Total - WIC Special Supplemental Nutrition				-	233,157
Program for Women, Infants, and Children					
Total - Department of Agriculture				-	246,801
<u>Department of Justice</u>					
Juvenile Justice and Delinquency Prevention	Indiana Criminal Justice Institute	16.540			
Juvenile Justice and Delinquency Prevention			03215JFFX003303	-	6,903
Violence Against Women Formula Grants	Indiana Criminal Justice Institute	16.588			
S.T.O.P. Grant			2018-WF-AX-004603	-	27,756
Equitable Sharing Program	Direct Grant	16.922			
Sheriff Forfeiture			1123-0011	-	51,193
Total - Department of Justice				-	85,852
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
Charlestown Road Multi-Use Path			DES 1400550	-	49,747
Bridge Inspection			DES 1500204	-	41,241
Total - Highway Planning and Construction				-	90,988
Total - Highway Planning and Construction Cluster				-	90,988
Highway Safety Cluster					
State and Community Highway Safety	Indiana Criminal Justice Institute	20.600			
Operation Pullover			NHTSA-402 FY 2019	-	8,205
Total - Highway Safety Cluster				-	8,205

FLOYD COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
Interagency Hazardous Materials Public Sector Training and Planning Grants EMA	Indiana Department of Homeland Security	20.703	38518HMEPPPLAN00	-	5,650
Total - Department of Transportation				-	104,843
<u>Department of Health and Human Services</u>					
Public Health Emergency Preparedness Hospital Preparedness Program	Indiana Department of Health	93.069	40093069PHEPA20	-	10,960
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Hospital Preparedness Program	Indiana Department of Health	93.074	40093074PHEPA19	-	27,268
Child Support Enforcement	Indiana Department of Child Services	93.563			
Child Support - Circuit Clerk			2019	-	23,473
Child Support - Clerk Incentive Fund			2019	-	5,400
Child Support - Court			2019	-	50,014
Child Support - Indirect Costs			2019	-	51,476
Child Support - Court Incentive Fund			2019	-	4,187
Child Support - Prosecutor Incentive Fund			2019	-	7,754
Child Support - Prosecutor			2019	-	306,656
Total - Child Support Enforcement				-	448,960
Total - Department of Health and Human Services				-	487,188
<u>Department of Homeland Security</u>					
Disaster Grants - Public Assistance (Presidentially Declared Disasters) EMA	Indiana Department of Homeland Security	97.036	385PA463000000	-	149,938
Emergency Management Performance Grants EMA	Indiana Department of Homeland Security	97.042	38518EMPG000000	-	40,191
Homeland Security Grant Program EMA	Indiana Department of Homeland Security	97.067	38518SHSP000000	-	56,892
Total - Department of Homeland Security				-	247,021
Total federal awards expended				\$ -	\$ 1,171,705

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

FLOYD 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, 2019. 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.

FLOYD COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

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

Federal Awards:

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

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

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
93.563	Highway Planning and Construction Cluster Child Support Enforcement	Unmodified Unmodified

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

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

**FINDING 2019-001**

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

*Repeat Finding*

This is a repeat of Finding 2018-001 from the immediately prior audit.

*Condition and Context*

The County did not have a proper system of internal controls in place over financial transactions and reporting to prevent, or detect and correct, errors. Due to the lack of controls over the input of financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report (AFR) and the financial statement, material errors remained undetected.

FLOYD COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The undetected errors included two funds incorrectly stated on the AFR. The net effect of the errors resulted in the disbursements being understated by \$8,108,968, and the ending cash and investment balances being overstated by \$8,108,968.

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

*Criteria*

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

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

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

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

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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

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

*Cause*

Management of the County had not established a proper system of internal controls.

*Effect*

The failure to establish and implement controls enabled misstatements or irregularities to remain undetected. The financial statement contained the errors identified in the *Context*.

FLOYD COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Views of Responsible Officials*

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

**FINDING 2019-002**

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

*Repeat Finding*

This is a repeat of Finding 2018-002 from the immediately prior audit.

*Condition and Context*

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

The SEFA presented for audit contained the following errors:

1. The following five programs were omitted from the SEFA, resulting in an understatement of \$197,753:
  - 10.553 - School Breakfast Program - \$6,041
  - 10.555 - National School Lunch Program - \$7,603
  - 16.540 - Juvenile Justice and Delinquency Prevention - \$6,903
  - 93.074 - Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements - \$27,268
  - 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) - \$149,938
2. The following five programs had amounts that were reported incorrectly, resulting a net overstatement of \$389,655:
  - 16.922 - Equitable Sharing Program - Understated by \$32,243
  - 20.205 - Highway Planning and Construction - Overstated by \$837,172
  - 93.069 - Public Health Emergency Preparedness - Overstated by \$32,416
  - 93.563 - Child Support Enforcement - Understated by \$444,773
  - 97.042 - Emergency Management Performance Grants - Understated by \$2,917
3. The Community Development Block Grants/Entitlement Grants (14.218) was included on the SEFA in error, resulting in an overstatement of \$28,700.

FLOYD COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

4. Several program names, pass thru entity names, and award numbers were reported incorrectly on the SEFA.

In the aggregate, the SEFA was overstated by \$220,602.

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

*Criteria*

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

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

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

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

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

FLOYD COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*Cause*

The County's management had not established a system of internal controls that would have ensured proper reporting of the SEFA.

*Effect*

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

*Views of Responsible Officials*

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

***FINDING 2019-003***

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

*Repeat Finding*

This is a repeat of Finding 2018-003 from the immediately prior audit.

*Condition and Context*

The County Treasurer did not have a proper system of internal control in place over financial transactions and reporting to prevent, or detect and correct, errors related to cash and investments. The County Treasurer had not established controls to ensure that the monthly bank reconciliations were completed and accurate.

FLOYD COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Depository reconciliations of the fund balances to the bank account balances in the County Treasurer's office were not conducted for 3 of 13 bank accounts subsequent to April 2019. The reconciliations which were performed contained errors and did not balance. A comparison of the Treasurer's Daily Balance of Cash and Depositories, Form 47 (Cash Book) to the bank accounts on December 31, 2019, indicated an unidentified cash long of \$1,102,008.

*Criteria*

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

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

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

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

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

*Cause*

Management of the County had not established a proper system of internal control that would have ensured that bank reconciliations were complete and accurate.

*Effect*

The failure to establish and implement controls enabled misstatements or irregularities to remain undetected.

*Views of Responsible Officials*

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

FLOYD COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

**FINDING 2019-004**

Subject: Child Support Enforcement - Allowable Costs/Cost Principles  
Federal Agency: Department of Health and Human Services  
Federal Program: Child Support Enforcement  
CFDA Number: 93.563  
Federal Award Number and Year (or Other Identifying Number): 2019  
Pass-Through Entity: Indiana Department of Child Services  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Finding: Material Weakness

*Condition and Context*

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. The County had implemented controls, but they were not effective. The cost allocation plan prepared by a third party vendor, reviewed and approved by the County Auditor, did not detect an immaterial overstatement of expenses.

This is an isolated error that reduced the amount of indirect cost reimbursement for 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*

Management did not develop a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system places the County at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could also allow noncompliance with the compliance requirement and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

FLOYD COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Recommendation*

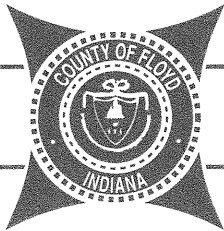
We recommended that the County's management establish a system of internal controls, including segregation of duties, related to the grant agreement and compliance requirement listed above. An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

*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.



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**Jacqueline Wenning**, Auditor of Floyd County

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2018-001***

Fiscal year in which the finding initially occurred: 2012  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:  
Contact Person Responsible for Corrective Action: Jacqueline Wenning  
Contact Phone Number: 812-948-5435

Status of Audit Finding: The Auditor will prepare the AFR. A Deputy Auditor will review prior to submission, effective June 4, 2020.

***FINDING 2018-002***

Fiscal year in which the finding initially occurred: 2012  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:  
Contact Person Responsible for Corrective Action: Jacqueline Wenning  
Contact Phone Number: 812-948-5435

Status of Audit Finding: The Auditor will prepare the SEFA. A Deputy Auditor will review prior to submission, effective June 4, 2020.

***FINDING 2018-004***

Fiscal year in which the finding initially occurred: 2018  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:  
Contact Person Responsible for Corrective Action: Jacqueline Wenning  
Contact Phone Number: 812-948-5435

Status of Audit Finding: As of January 1, 2020 a Deputy Auditor prepares the report. The Auditor will review the report. All reports are current as of January 2020.

  
(Signature)

Auditor  
(Title)

June 8, 2020



Lois N. Endris  
Floyd County Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

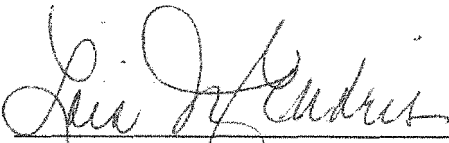

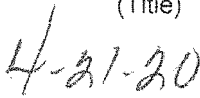
*FINDING 2018-003*

Fiscal year in which the finding initially occurred 2012  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:  
Contact Person Responsible for Corrective Action: Lois N. Endris  
Contact Phone Number: 812-948-5477

Status of Audit Finding:

The County Treasurer has implemented a proper system of internal control, to prevent or detect errors in financial reporting. The County has also established a system of internal controls related to financial transactions and reporting. Transactions are being recorded and accounted for timely. All reconciliations are being done timely, with the exception of 3 accounts we have taken necessary steps to reconcile with an accounting firm.

The County Commissioners along with the County Treasurer have engaged with the firm of Hartman and William accountants to assist at reconciling the fund balance vs bank balance on the accounts that have contained errors back to 2012, to get a solid balance forward.

  
\_\_\_\_\_  
(Signature)  
  
\_\_\_\_\_  
(Title)  
  
\_\_\_\_\_  
(Date)

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Phone: 812-948-5477 • Fax: 812-948-4750  
lendris@floydcounty.in.gov  
www.floydcounty.in.gov



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**Jacqueline Wenning**, Auditor of Floyd County

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Date: July 23, 2020  
Subject: Corrective Action Plan  
2019 Audit Finding  
Financial Transactions and Reporting

Statement of Finding

FINDING 2019-001

Contact Person Responsible for Corrective Action: Jacqueline Wenning, County Auditor  
Contact Phone Number: 812-948-5435

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Floyd County now has in place Internal Control Standards and Procedures training. All deputies in the Auditor's office are required to participate in the Internal Control Standards and Procedures training. The Auditor and Chief Deputy Auditor now verify and check each other's work including but not limited to financial information entered into the Indiana Gateway for Government Units. The Auditor and/or Chief Deputy Auditor will also be checking and verifying the accuracy of all financial transactions performed by other deputies in the Auditor's office.

Anticipated compliance date: June 4, 2020



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Jacqueline Wenning, Auditor of Floyd County

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## CORRECTIVE ACTION PLAN

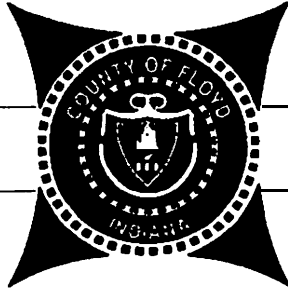
### **FINDING 2019-002**

Contact Person Responsible for Corrective Action: Jacqueline Wenning, County Auditor  
Contact Phone Number: 812-948-5435

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: As a new Auditor in October 2019, I was unaware of previous problems with the SEFA statement. I have implemented new procedures and controls in the Auditor's office to address these problems. The new procedures and controls will greatly improve the accuracy of the SEFA statement in the future.

Anticipated compliance date: January 2021



**(812) 948-5477**

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**Lois L. Endris**, Treasurer of Floyd County

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E-Mail: [lendris@floydcounty.in.gov](mailto:lendris@floydcounty.in.gov)

### CORRECTIVE ACTION PLAN

#### ***FINDING 2019-003***

Contact Person Responsible for Corrective Action: Lois N. Endris, County Treasurer  
Contact Phone Number 812-948-5477

View of Responsible Official: I concur with the findings

#### Description of Corrective Action Plan:

1. Compliance- The County has hired an accounting firm to identify the longstanding reconciling items. The County Commissioners and Treasurer has engaged the firm of Hartman Williams (beginning March 2020) for this project. This project is ongoing and I anticipate will be approximately a 6 month project.
2. Internal Controls – a plan has been developed by the Treasurer and the reconciliation clerk to specifically dedicate a set time each day to work on the bank reconciliations, to identify any consistent outages, and report accordingly. Original start date of this project was July 20<sup>th</sup> and will continue until all accounts are current. It is our goal to do this in 6 months timeframe.

Anticipation Completion Date: ongoing

***Lois N. Endris***

Floyd County Treasurer

6-21-20



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**Jacqueline Wenning**, Auditor of Floyd County

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## CORRECTIVE ACTION PLAN

### ***FINDING 2019-004***

Contact Person Responsible for Corrective Action: Jacqueline Wenning, County Auditor  
Contact Phone Number: 812-948-5435

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Auditor's office is implementing new examination procedures requiring the vendor to review every entry on the Cost Allocation Plan with the Auditor. This will allow problems to be found and corrected before being approved and signed.

Anticipated Compliance Date: January 2021

## 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/>.