

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

MARSHALL COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED

09/23/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Julie A. Fox	01-01-20 to 12-31-21
County Treasurer	Angela C. Birchmeier	01-01-20 to 12-31-21
Clerk of the Circuit Court	Deborah P. VanDeMark	01-01-20 to 12-31-21
County Sheriff	Matthew K. Hassel	01-01-20 to 12-31-21
County Recorder	Janet Howard	01-01-20 to 12-31-21
President of the Board of County Commissioners	Kevin G. Overmyer	01-01-20 to 12-31-21
President of the County Council	Judy Stone (Vacant) Tim Harman	01-01-20 to 12-01-20 12-02-20 to 12-31-20 01-01-21 to 12-31-21



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 MARSHALL 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 Marshall County (County), for the year ended December 31, 2020, and the related notes to the financial statement, which collectively comprise the County's financial statement and have issued our report thereon dated September 8, 2021, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001, that we consider to be significant deficiencies.

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

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 item 2020-001.

Marshall 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
Paul D. Joyce, CPA
State Examiner

September 8, 2021



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 MARSHALL COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited Marshall 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, 2020. 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.

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 the County's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on the 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 its major federal program for the year ended December 31, 2020.

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

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2020, and the related notes to the financial statement. We issued our report thereon dated September 8, 2021, 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
Paul D. Joyce, CPA
State Examiner

September 8, 2021

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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.

MARSHALL COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2020

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>					
WIC Special Supplemental Nutrition Program for Women, Infants, and Children WIC 8804 FY 2020	Indiana State Department of Health	10.557	FY2020	\$ -	\$ 146,592
Total - Department of Agriculture				-	146,592
<u>Department of Housing and Urban Development</u>					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Commissioners-Broadband Planning Grant Fund 8819	Indiana Office of Community and Rural Affairs	14.228	A192-19-PL-17-025	-	20,000
COVID-19 - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Commissioners-COVID-19 Emergency Message Boards 8104	Indiana Office of Community and Rural Affairs	14.228	A192-20-CV-19-114	-	120,000
Total - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii				-	140,000
Total - Department of Housing and Urban Development				-	140,000
<u>Department of the Interior</u>					
Historic Preservation Fund Grants-In-Aid Commissioners - Courthouse Clock Tower Fund 8102	Indiana Department of Natural Resources	15.904	18-19-19FFY-1	-	19,550
Historic Preservation Fund Grants-In-Aid Museum-Crossroads Museum Project 4907	Indiana Department of Transportation	15.904	Contract R-29712 DES 0500825	-	10,661
Total - Department of the Interior				-	30,211
<u>Department of Justice</u>					
Edward Byrne Memorial Justice Assistance Grant Program Prosecutor-Ed Byrne Memorial Justice Grant Program - 8103	Indiana Criminal Justice Institute	16.738	Project 2019-DJ-BX-0018	-	6,500
Total - Department of Justice				-	6,500
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction	Indiana Department of Transportation	20.205			
Highway-Countywide Bridge Inspection Fund 1135			DES 1592161	-	62,376
Highway-Bridge #87 11th Road Fund 1135			DES 17020839	-	96,060
Highway-Bridge #120 S Upas Road Fund 1135			DES 1702838	-	94,754
Highway-Bridge #232 Randolph St			DES 1902820	-	4,941
Highway-Bridge #81 Hickory Road DES#1383474 Fund 1135			DES 1383474	-	1,317
Highway-Bridge#73 King Road			DES 1600931	-	51,209
Total - Highway Planning and Construction				-	310,657
Total - Highway Planning and Construction Cluster				-	310,657
Federal Transit Cluster Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs Older Adult Services Fund 8803 Capital Asst Program	Indiana Department of Transportation	20.526	DES 1803770C	74,640	74,640
Total - Federal Transit Cluster				74,640	74,640
Formula Grants for Rural Areas and Tribal Transit Program Older Adult Services - 8803 Operating Asst Program Older Adult Services - 8803 Operating Asst Program	Indiana Department of Transportation	20.509	800150026400LC7 800170045800LC7	38,479 84,847	38,479 84,847
Sub-total - Formula Grants for Rural Areas and Tribal Transit Programs				123,326	123,326
COVID-19 - Older Adult Services - 8803 Operating Asst Program	Indiana Department of Transportation	20.509	800200156800LC7	43,578	43,578
Total - Formula Grants for Rural Areas and Tribal Transit Programs				166,904	166,904
Total - Department of Transportation				241,544	552,201

MARSHALL COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2020

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 the Treasury</u>					
COVID-19 - Coronavirus Relief Fund		21.019			
Health-CARES LHD Community Based Testing Grant 8903	Indiana State Department of Health		Contract 45128	-	100,000
Arts, Cultural & Destination Marketing Organization Grant Program	Indiana Arts Commission		FY2020	-	26,034
Commissioners-CARES Provider Relief Fund 8900	Indiana Finance Authority		FY2020	-	1,497,219
Total - Department of the Treasury				-	1,623,253
<u>Election Assistance Commission</u>					
COVID-19 - 2020 HAVA CARES Act Grant	Indiana Secretary of State Election Division	90.404			
Clerk-CARES SOS Election Division Fund 8901			FY2020	-	4,231
Total - Election Assistance Commission				-	4,231
<u>Department of Health and Human Services</u>					
Public Health Emergency Preparedness	Indiana State Department of Health	93.069			
Health-Emergency Preparedness Educator Fund 1159			20002871-2020 Contract #35416	-	4,983
Health-Emergency Preparedness Grant 1159			2002871-mchdbp2 Contract #4394	-	4,000
Total - Public Health Emergency Preparedness				-	8,983
Immunization Cooperative Agreements	Indiana State Department of Health	93.268			
Health-Immunizations/Vaccines-Child 8821			Contract 43828	-	15,299
Child Support Enforcement	Indiana Department of Child Services	93.563			
IVD Reimbursement General Fund 1000			FFP & Indirect	-	146,278
IVD Incentive-County Fund 8895			County	-	63,391
IVD Incentive-Clerk Prior Oct. 1999 Fund 8899			Clerk	-	1,890
Total - Child Support Enforcement				-	211,559
Opioid STR	Indiana Supreme Court Office of Judicial Administration	93.788			
Probation-Indiana Stat Opioid Response Grant			20-5JC89-C50-036	-	26,094
Total - Department of Health and Human Services				-	261,935
<u>Department of Homeland Security</u>					
Boating Safety Financial Assistance	Indiana Department of Natural Resources	97.012			
Sheriff-Lake Enforcement DNR Fund 8811			97.012 Lake Enforcement DNR Gr	-	5,000
Emergency Management Performance Grants	Indiana Department of Homeland Security	97.042			
EMA-1000 FY 2019			EMC-2019-EP-00003-S01	-	23,840
Total - Department of Homeland Security				-	28,840
Total federal awards expended				\$ 241,544	\$ 2,793,763

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

MARSHALL 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, 2020. 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.

MARSHALL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	yes
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
21.019	COVID-19 - Coronavirus Relief Fund	Unmodified

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2020-001

Subject: Financial Reporting
Audit Findings: Significant Deficiency, Noncompliance

Condition and Context

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

Although the County had internal controls in place to review the financial information submitted on the Supplemental County Annual Reports (SCAR) by outside departments that were included in the County's AFR, these internal controls were not effective to ensure the financial information provided was accurate and complete. The SCARs were prepared and provided by the County departments to the County Auditor without supporting documentation.

MARSHALL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The lack of an effective internal control resulted in the receipts and disbursements to be understated by approximately \$600,000 each for the Sheriff Inmate Trust Account fund.

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. . . ."

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

"The state examiner shall require from every audited entity 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 that would have ensured proper reporting of the AFR.

Effect

The failure to establish an effective system of internal controls enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County at risk that internal controls may not be either designed properly or operating effectively to provide reasonable assurance that internal controls will prevent, or detect and correct, misstatements in a timely manner.

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the County. The document is presented as intended by the County.



Julie A. Fox
Marshall County Auditor
112 W. Jefferson St., Room 205
Plymouth, IN 46563

Phone: 574-935-8555

Email: julief@co.marshall.in.us

Fax: 574-935-4863

CORRECTIVE ACTION PLAN

FINDING 2020-001

Contact Person Responsible for Corrective Action: Julie A. Fox, Marshall County Auditor
Contact Phone Number: (574) 935-8555

Views of Responsible Official: We agree with the finding.

Description of Corrective Action Plan: Outside Departments submitting the Supplemental County Annual Reports (SCAR) will submit supporting detailed financial information, including but not limited to detailed ledger, bank statement, reconciliation reports as required by the Auditor.

We estimate this control to be implemented September 8, 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/>.