

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

FLOYD COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
03/16/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Jacqueline Wenning	01-01-20 to 12-31-22
County Treasurer	Lois N. Endris Steve Burks	01-01-20 to 12-31-20 01-01-21 to 12-31-22
Clerk of the Circuit Court	Danita Burks	01-01-20 to 12-31-22
County Sheriff	Frank Loop	01-01-20 to 12-31-22
County Recorder	Todd Scannell Lois N. Endris	01-01-20 to 12-31-20 01-01-21 to 12-31-22
President of the Board of County Commissioners	Shawn Carruthers	01-01-20 to 12-31-22
President of the County Council	Brad Striegel Dale Bagshaw	01-01-20 to 12-31-21 01-01-22 to 12-31-22



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, 2020, and the related notes to the financial statement, which collectively comprise the County's financial statement and have issued our report thereon dated March 10, 2022, 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 2020-001, 2020-002, and 2020-003, 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 2020-001, 2020-002, and 2020-003.

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.



Beth Kelley, CPA, CFE
Deputy State Examiner

March 10, 2022



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 FLOYD COUNTY, INDIANA

Report on Compliance for the 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 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.

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)

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.

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 March 10, 2022, 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.



Beth Kelley, CPA, CFE
Deputy State Examiner

March 10, 2022

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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, 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through To Subrecipient	Total Federal Awards Expended
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	2020	\$ -	\$ 2,939
School Breakfast Program					
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553	2020	-	4,421
School Breakfast Program					
Total - School Breakfast Program				-	7,360
National School Lunch Program	Indiana Department of Education	10.555	2020	-	3,982
Nat'l School Lunch Program					
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555	2020	-	7,124
Nat'l School Lunch Program					
Total - National School Lunch Program				-	11,106
Total - Child Nutrition Cluster				-	18,466
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	Indiana Department of Health	10.557			
WIC			40010557WICAD20	-	251,036
WIC			40010557WPCG020	-	6,322
Total WIC Special Supplemental Nutrition Program for Women, Infants, and Children				-	257,358
Total - Department of Agriculture				-	275,824
<u>Department of Justice</u>					
Violence Against Women Formula Grants	Indiana Criminal Justice Institute	16.588			
S.T.O.P. Grant			STOP-2019-00028	-	44,082
Equitable Sharing Program	Direct Grant	16.922			
Sheriff Forfeiture			1123-0011	-	18,769
Total - Department of Justice				-	62,851
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
Highway Planning and Construction			DES 1400550	-	80,290
Highway Planning and Construction			DES 1500204	-	28,233
Highway Planning and Construction			DES 1700788	-	74,979
Highway Planning and Construction			DES 1801581	-	4,713
Highway Planning and Construction			DES 1801582	-	2,481
Total - Highway Planning and Construction Cluster				-	190,696
Highway Safety Cluster					
State and Community Highway Safety	Indiana Criminal Justice Institute	20.600			
CHIRP			69A37518300001640IN	-	2,190
Total - Highway Safety Cluster				-	2,190
Total - Department of Transportation				-	192,886

FLOYD 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	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through To Subrecipient	Total Federal Awards Expended
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus Relief Fund ISHD COVID Response Fund	Indiana State Department of Health	21.019	45094	-	26,711
COVID-19 - Coronavirus Relief Fund CARES Act	Indiana Finance Authority	21.019	FY2020	-	2,523,509
Total - COVID-19 - Coronavirus Relief Fund				-	2,550,220
Total - Department of the Treasury				-	2,550,220
<u>Election Assistance Commission</u>					
COVID-19 2020 HAVA Election Security Grants 2020 HAVA CARES Act Grant	Indiana Secretary of State	90.404	IN20101CARES	-	73,375
Total - Election Assistance Commission				-	73,375
<u>Department of Health and Human Services</u>					
Public Health Emergency Preparedness Hospital Preparedness Program Hospital Preparedness Program	Indiana State Department of Health	93.069	40093069PHEPA20 NU90TP22052	-	34,709 17,878
Total - Public Health Emergency Preparedness				-	52,587
Child Support Enforcement Child Support - Circuit Court Child Support - Indirect Costs Child Support - Prosecutor Child Support - Prosecutor Incentive Fund Child Support - Clerk Child Support - Clerk Incentive Fund Child Support - Court Incentive Fund	Indiana Department of Child Services	93.563	2020 2020 2020 2020 2020 2020 2020	- - - - - - -	20,051 80,272 338,387 11,725 24,033 8,760 7,200
Total - Child Support Enforcement				-	490,428
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF) WEB Grant	Indiana Department of Health	93.758	NB10T009174	-	4,114
Opioid STR Indiana State Opioid Response	Indiana Supreme Court	93.788	21-5JC89-C87-001	-	34,395
Total - Department of Health and Human Services				-	581,524
<u>Department of Homeland Security</u>					
Emergency Management Performance Grants EMA	Indiana Department of Homeland Security	97.042	EMW-2016-SS-00078	-	11,547
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) Disaster Grant	Indiana Department of Homeland Security	97.036	385PA4515000000	-	37,616
Total - Department of Homeland Security				-	49,163
Total federal awards expended				\$ -	\$ 3,785,843

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, 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.

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 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:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
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 Transactions and Reporting - County Auditor
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2019-001.

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 internal controls, errors in the financial records and financial reporting went undetected.

FLOYD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Financial Close and Reporting

Due to the lack of internal controls over the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report and the financial statement, material errors remained undetected. The errors consisted of the following:

1. Multiple funds were duplicated in the financial statement which resulted in the overstatement of the beginning cash balance in the amount of \$371,748; overstatement of receipts in the amount of \$9,993,839; overstatement of disbursements in amount of \$10,049,516; and overstatement of the ending cash balance in the amount of \$316,071.
2. Four funds were omitted from the financial statement which resulted in the understatement of the beginning cash balance of \$10,000; understatement of receipts in the amount of \$29,277,537; understatement of disbursements in the amount of \$29,277,537; and understatement of the ending cash balance in the amount of \$10,000.
3. The financial activity for twelve funds was reported incorrectly which resulted in the understatement of receipts in the amount of \$997,234; understatement of disbursements in the amount of \$21,246,435; and overstatement of the ending cash balance in the amount of \$20,249,201.
4. The financial statement did not include the departmental financial activity for the County Sheriff, Clerk of the Circuit Court, and County Treasurer which resulted in the understatement of the beginning cash balance in the amount of \$5,577,275; understatement of receipts in the amount of \$9,350,748; understatement of disbursement in the amount of \$7,969,241; and understatement of the ending cash balance in the amount of \$6,959,782.

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

Receipts

The County did not have internal controls in place to ensure receipt activity was recorded timely and to the financial records.

There were three instances where monies received electronically were not recorded until four to six months after being received. In one instance, money received in March 2020 was not recorded to the financial records.

Procedures were not in place to ensure monies collected and deposited by County departments were recorded timely and in the correct accounting period. Monies collected and deposited by departments were recorded up to a week after being received and steps were not taken to ensure all activity was recorded by the end of the month.

Disbursements

Disbursement transactions related to payroll deductions and employer related benefits were recorded as of the date processed instead of the date disbursed. As a result, if disbursements were not actually made as of the processing date, it could result in financial activity being recorded in an improper month and/or calendar year.

(Continued)

Criteria

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

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

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

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

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](#)."

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

Cause

Management of the County had not established a proper system of internal control that would have ensured proper recording of transactions and reporting.

Effect

Without a proper system of internal control in place, material misstatements or irregularities remained undetected. The financial statement contained the errors identified in the *Condition and Context*.

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)

FINDING 2020-002

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2019-002.

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 County did not have a proper system of internal control to prevent, or detect and correct, errors on the SEFA.

Due to the lack of internal controls, the SEFA presented for audit contained the following errors:

1. The COVID-19 - Coronavirus Relief Fund grant received through the Indiana Finance Authority was omitted which understated expenditures by \$2,523,509.
2. Three federal programs were omitted which understated expenditures by \$145,385.
3. Several additional grants had individually immaterial errors which resulted in a net over-statement of expenditures by \$89,616.
4. Other errors included incorrect program names, pass-through entity names, and award numbers.

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. . . ."

FLOYD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control . . ."

2 CFR 200.62 states in part:

"Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:

- (a) Transactions are properly recorded and accounted for, in order to:

- (1) Permit the preparation of reliable financial statements . . ."

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. 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.
- (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 Assistance Listings Number or other identifying number when the Assistance Listings 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.

FLOYD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (5) For loan or loan guarantee programs described in § 200.502(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."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

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

Views of Responsible Officials

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

FINDING 2020-003

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2019-003.

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 in cash and investments. The County Treasurer had not established internal controls to ensure that the monthly bank reconciliations were complete and accurate. Additionally, internal controls were not in place to ensure financial activity was recorded in a timely manner.

Bank Reconciliations

Bank reconciliations were not properly completed for three of the County Treasurer's bank accounts which had significant financial activity. The bank reconciliations for these three bank accounts had large unidentified variances which fluctuated widely from month to month in ranges from cash short of \$443,051 to cash long of \$1,974,697. A comparison of the Treasurer's Daily Balance of Cash Depositories, Form 47 (Cash Book) to the bank depository account on December 31, 2020, indicated an unidentified cash short of \$299,722.

FLOYD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Timely Financial Recording

There were thirteen instances identified in which excise tax monies received were recorded anywhere from 29 to 55 days after the funds had been received. The failure to timely record financial activity in the County Treasurer's Cash Book contributed to difficulties in performing accurate monthly bank reconciliations.

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 5-13-5-1(a) states:

"Every public officer who receives or distributes public funds shall:

- (1) keep a cashbook into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cashbook daily to show funds on hand at the close of each day."

The Treasurer's Daily Balance of Cash and Depositories, Form 47, is the record prescribed to enable the treasurer to comply with IC 5-13-5-1. It reflects the daily receipts and disbursements, total amount of cash and investments on hand, and a proof of the financial condition of the office at the close of each day. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 5)

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 County Treasurers of Indiana, Chapter 1)

FLOYD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

Cause

Management of the County had not established a proper system of internal control that would have ensured proper recording of transactions and timely reporting.

Effect

Without a proper system of internal control in place, misstatements or irregularities remained undetected, as identified in the *Condition and Context*.

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 DOCUMENTS

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



Jacqueline Wenning, Auditor of Floyd County

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-001

Fiscal year in which finding initially occurred: 2012

Status of Audit Finding: Ongoing

The County is continuing to provide training and develop internal controls over financial reporting. A firm has been hired by the County to assist with some of its financial reporting.

The County continues to work to correct audit finding to the best of its abilities.

FINDING 2019-002

Fiscal year in which finding initially occurred: 2012

Status of Audit Finding: Ongoing

Internal training and on-going training have been implemented as well as the Auditor and Chief Deputy Auditor reviewing information submitted for the SEFA. All County departments have been requested to submit all federal grant information to the County Auditor's office in order to ensure accurate information is into the Gateway reporting system regarding federal grant programs.

FINDING 2019-004

Fiscal year in which finding initially occurred: 2019

Status of Audit Finding: Ongoing

Internal controls have been implemented and are on going through training and practice. The County Auditor reviews the cost allocation plan with the third party vendor before an approval is issued.



Steve D. Burks
Floyd County Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

FINDING 2019-003

Fiscal year in which the finding initially occurred.

- This is a repeat finding from 2012 that continued through 2019.

Status of Audit Finding

- The county has continued its contract with Hartman, Williams to rectify the discrepancies in the Daily Balance of Depositories Form 47 (Cash Book) to the bank accounts. At this point the original long amount has been reduced and continues to be worked on to bring this into alignment.

Room113 City-County Bldg. 311 Hauss Square, New Albany, Indiana 47150

Phone: 812-948-5477 Fax: 812-648-4750

sburks@floydcounty.in.gov

www.floydcounty.in.gov



Jacqueline Wenning, Auditor of Floyd County

CORRECTIVE ACTION PLAN

FINDING 2020-001

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:

The County has hired a consulting firm to help with some of its financial reporting. The County intends to work with this firm to ensure financial information is accurately reported. The Auditor and Chief Deputy Auditor will work to check and double check the financial reporting.

The County will review its receipting procedures to ensure procedures are in place to ensure accurate and timely reporting of receipt transactions.

Procedures for the recording of disbursements transactions will be reviewed to ensure disbursement are recorded at the time the disbursement is made.

Anticipated Completion Date: January 31, 2023



Jacqueline Wenning, Auditor of Floyd County

CORRECTIVE ACTION PLAN

FINDING 2020-002

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:

The County continues to train staff on federal grant programs. The SEFA will be reviewed by both the County Auditor and the Chief Deputy Auditor. Procedures will be implemented for all County Departments to provide the County Auditor's office with information on all federal grant program to ensure accurate information is available for the completion of the SEFA.

Anticipated Completion Date: January 31, 2023



Steve D. Burks
Floyd County Treasurer

Corrective Action Plan

Finding 2020-003

Contact Person Responsible for Corrective Action: Steve Burks, 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 continued its contract with Hartman, Williams to rectify the discrepancies in the Daily Balance of Depositories Form 47 (Cash Book) to the bank accounts. At this point the original long amount has been reduced and continues to be worked on to bring this into alignment.
2. Internal Controls- On 8/2/2019 Internal Control policy was established as follows...

FINANCIAL TRANSACTION REPORTING:

Treasurers Duties: Daily quietus, receipt, and verify all ACH, BMV, excise bank deposits are receipted in verify bank deposit, assists with bank reconciliations and verification.

Chief Deputy duties: Daily cashbook reconciliation of receipts, quietus, and warrants and GL posting, prepare daily bank deposit.

Second Deputy duties: Posts all daily work to spreadsheets, verifies balance against daily cashbook, monthly checking and investment reconciliation, interest earned on investments and bank accounts shall be quietus in to Auditors office monthly. Identify and resolve any financial discrepancy in reconciliations.

- Any discrepancies discovered must be reported to the Treasurer immediately.
3. Timely Financial Recording – All excise tax monies will be receipted in on a weekly basis to ensure accurate record keeping.

Anticipation Completion Date: Ongoing with hopes of completing by March 31, 2023

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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/>.