

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

BOONE COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
03/29/2022

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
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 <i>Government Auditing Standards</i>	3-4
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	5-7
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	10-11
Notes to Schedule of Expenditures of Federal Awards.....	12
Schedule of Findings and Questioned Costs.....	13-19
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	22-23
Corrective Action Plan	24-27
Other Reports.....	28

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Heather Myers Debbie Morton-Crum	01-01-20 to 03-06-20 03-07-20 to 12-31-22
County Treasurer	Debbie Ottinger Nikki Baldwin	01-01-20 to 12-31-20 01-01-21 to 12-31-22
Clerk of the Circuit Court	Jessica Fouts	01-01-20 to 12-31-22
County Sheriff	Michael Nielson	01-01-20 to 12-31-22
County Recorder	Nikki Baldwin Debbie Ottinger	01-01-20 to 12-31-20 01-01-21 to 12-31-22
President of the Board of County Commissioners	Don Lawson Tom Santelli Jeff Wolfe	01-01-20 to 12-31-20 01-01-21 to 12-31-21 01-01-22 to 12-31-22
President of the County Council	Steve Jacob Elise Nieshalla	01-01-20 to 04-13-21 04-14-21 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 BOONE 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 Boone 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 21, 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 and 2020-002, 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 and 2020-002.

Boone 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 21, 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 BOONE COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited Boone 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 21, 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 21, 2022

(This page intentionally left blank.)

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.

BOONE 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	Total Federal Awards Expended
<u>Department of Justice</u>				
Crime Victim Assistance CRIME VICTIM ASSISTANCE	Indiana Criminal Justice Institute	16.575	VOCA-2020-00230	\$ <u>98,412</u>
Violence Against Women Formula Grants STOP DOMESTIC VIOLENCE 9138	Indiana Criminal Justice Institute	16.588	STOP-2019-00076	<u>29,640</u>
Bulletproof Vest Partnership Grant BULLET PROOF VEST GRANT 9165	Direct grant	16.607	2019BUBX19019333	<u>4,594</u>
Total - Department of Justice				<u>132,646</u>
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster				
Highway Planning and Construction BOONE COUNTY BRIDGE INSPECTIONS 1135 BOONE COUNTY BRIDGE 41 BRIDGE 154 BOONE COUNTY BRIDGE 192 BOONE COUNTY BRIDGE 202	Indiana Department of Transportation	20.205	DES #1500227 DES #1600773 DES #1800246 DES #1802833 DES #1600686	77,776 82,971 85,483 101,617 <u>63,496</u>
Total - HIGHWAY PLANNING AND CONSTRUCTION				<u>411,343</u>
Total - Highway Planning and Construction Cluster				<u>411,343</u>
Highway Safety Cluster				
State and Community Highway Safety BIG CITY/BIG COUNTY 9162	Indiana Criminal Justice Institute	20.600	OPO-2019-00089	<u>23,859</u>
Total - Highway Safety Cluster				<u>23,859</u>
Formula Grants for Rural Areas and Tribal Transit Program				
TRANSIT 7403 TRANSIT 7403	Indiana Department of Transportation	20.509	A249-20-G190106 A249-20-G190106	137,210 <u>12,019</u>
Sub-Total - Formula Grants for Rural Areas and Tribal Transit Program				<u>149,229</u>
COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program BOONE COUNTY SENIOR SERVICES COVID	Indiana Department of Transportation	20.509	A249-20-G190106	<u>115,537</u>
Total - Formula Grants for Rural Areas and Tribal Transit Program				<u>264,766</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated ALCOHOL IMPAIRED DRIVING 4011	Indiana Criminal Justice Institute	20.608	DUI-2019-00036	<u>11,432</u>
Total - Department of Transportation				<u>711,400</u>

BOONE 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	Total Federal Awards Expended
<u>Department of the Treasury</u>				
COVID-19 - Coronavirus Relief Fund	Indiana Finance Authority	21.019	FY 2020	<u>2,173,700</u>
Total - Department of the Treasury				<u>2,173,700</u>
<u>Election Assistance Commission</u>				
COVID-19 - 2020 HAVA CARES Act Grant	Indiana Secretary of State	90.404	040_INCOVID2020	<u>13,798</u>
Total - Election Assistance Commission				<u>13,798</u>
<u>Department of Health and Human Services</u>				
Medical Reserve Corps Small Grant Program MEDICAL RESERVE CORP	National Association of County and City Officials	93.008	MRC-12-320	<u>362</u>
Public Health Emergency Preparedness PUBLIC HEALTH EMERGENCY PREPAREDNESS 9184	Indiana State Department of Health	93.069	NU90TP922052	<u>57,725</u>
Child Support Enforcement CHILD SUPPORT ENFORCEMENT 1000.9571 TITLE IV-D INVENTIVE SHARED 8895 CO. GENERAL SHARE IV-D CLERK CHILD SUPPORT PROSECUTOR CHILD SUPPORT	Indiana Department of Child Services	93.563	FY2020 FY2020 FY2020 FY2020	<u>7,747</u> <u>35,397</u> <u>4,336</u> <u>30,190</u> <u>185,520</u>
Total - Child Support Enforcement				<u>263,190</u>
Opioid STR	Indiana Supreme Court	93.788	022OPIOIDSORF19	<u>2,900</u>
Total - Department of Health and Human Services				<u>324,177</u>
<u>Department of Homeland Security</u>				
Emergency Management Performance Grants EMPG COMPETITIVE/SALARY GRANT 1000.9538	Indiana Department of Homeland Security	97.042	EMC-2019-EP-00003	<u>32,795</u>
Total - Department of Homeland Security				<u>32,795</u>
Total federal awards expended				<u>\$ 3,388,516</u>

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

BOONE 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.

BOONE 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:

CFDA 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
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

There were deficiencies in the internal control system of the County related to financial transactions and reporting. The County had not designed or implemented effective internal controls related to cash and investments, receipts, and financial close and reporting.

BOONE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cash and Investments - County Treasurer

The County had not designed and implemented an effective system of internal control over cash and investments. One individual prepared the bank reconciliation without an oversight or review process. In addition, the monthly bank reconciliation compared transactions from the bank statement to the software system, but it was not always being reconciled to the County Treasurer's Cash Book.

Receipts - County Auditor

The County had not designed and implemented an effective system of internal control over receipts recorded in the ledger. The Deputy County Auditor was responsible for recording the receipts and verifying that the amount recorded was for the proper amount and to the correct fund. There was no oversight or review of receipts handled by the Deputy County Auditor.

Financial Close and Reporting - County Treasurer

The County Treasurer had not designed and implemented an effective system of internal control over financial close and reporting. Material misstatements were submitted to the County Auditor for inclusion in the financial statement.

Financial Close and Reporting - County Auditor

The County had designed an internal control over financial close and reporting; however, the internal control was not properly implemented as it did not detect and allow correction of material misstatements in the Annual Financial Report (AFR) and financial statement.

Financial Transactions and Reporting

Due to the lack of internal controls, the financial statement included the following errors:

1. The General fund receipts and disbursements were overstated by \$109,401 and \$111,782, respectively, which understated the ending cash and investments balance by \$2,381.
2. The Corrections fund receipts and ending cash and investments balance were overstated by \$38,078.
3. The MVH Restricted fund receipts and disbursements were overstated by \$390,547.
4. The Motor Vehicle Highway fund receipts and disbursements were overstated by \$397,085.
5. The Surplus Tax fund receipts and disbursements were overstated by \$206,312.
6. The Drainage Maintenance fund receipts and disbursements were overstated by \$1,229,432.
7. The Co Corrections Fund receipts and disbursements were overstated by \$178,067.
8. The Insurance - SIHO fund receipts and disbursements were understated by \$119,824.
9. The Insurance - UMR Health fund receipts and disbursements were understated by \$3,649,106.

BOONE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

10. The Insurance - Hoosier START fund receipts and disbursements were overstated by \$113,242.
11. The Settlement fund receipts and disbursements were overstated by \$191,603.
12. The CVET Agency fund receipts and disbursements were overstated by \$6,492,171.
13. The LIT Certified Shares fund receipts and disbursements were overstated by \$4,865,981.
14. The LIT Public Safety fund receipts and disbursements were overstated by \$263,596.
15. The Local Road & Bridge State Gr fund receipts and disbursements were overstated by \$360,266.
16. The Bond #2 0182 fund beginning cash and investments balance was overstated by \$488,007.
17. The Bond #2 0182 fund receipts and disbursements were overstated by \$3,380 and \$529,771, respectively, which understated the ending cash and investments balance by \$526,391.
18. The Treasurer-Excise Taxes Collected fund beginning cash and investments balance was understated by \$296,756, and disbursements were overstated by \$296,756.
19. The Treasurer-Excise Taxes Collected fund ending balance and receipts were understated by \$1,840,425 respectively.

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. . . ."

BOONE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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](#)."

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)

Cause

Management had not established a proper system of internal control related to cash and investments, receipts, and financial close and reporting.

Effect

The failure to establish a system of internal control enabled material misstatements or irregularities to remain 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.

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 2019-003.

Condition and Context

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

BOONE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The County failed to properly review the federal grant information prepared and submitted in Gateway. Although one employee prepared and entered the federal award information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors on the SEFA prior to submission.

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

1. The Highway Planning and Construction Cluster expenditures were understated by \$76,180.
2. The Formula Grants for Rural Areas and Tribal Transit Program expenditures were overstated by \$84,117.
3. The Public Health Emergency Preparedness program expenditures were understated by \$57,725.
4. The National Bioterrorism Hospital Preparedness Program was included in error, which overstated expenditures by \$51,475.
5. The COVID-19 - Coronavirus Relief Funds grant was omitted, which understated expenditures by \$2,173,700.
6. Several additional grants had individually immaterial errors that resulted in misstatements of expenditures of \$24,100.
7. Other errors included incorrect program names, pass-through entities, and identifying 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. . . ."

BOONE 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 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.
- (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.

BOONE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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

Management had not established an effective 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.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

(This page intentionally left blank.)

AUDITEE-PREPARED DOCUMENTS

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

**Office of the Auditor
Boone County
201 Courthouse Square
Lebanon, IN 46052**

**Debbie Morton-Crum
Auditor**

(765) 482-2940
Fax: (765) 483-4434

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-001

Fiscal year in which the finding initially occurred: 2013

The status of this audit finding is still not corrected due to an incomplete internal control policy and needing more accurate review of our financial transactions.

We continually work to identify the deficiencies in our Financial Reporting and work diligently with the other departments to identify any misstatements of funds. We are working with the Treasurer's Office to post the State Distributions timely. We have also put Internal Controls in place for the Auditor's Office and Treasurer's Office to balance at the end of each month.

FINDING 2019-002

Fiscal year in which the finding initially occurred: 2012

Status of Audit Finding:

This was a repeat finding due to the Treasurer's Office not having established effective internal controls related to cash and investments. The County Treasurer did not complete the bank reconciliation, nor did they reconcile the cashbook to the bank reconciliation.

Per the Treasurer's Corrective Action Plan that will continue through 2020 and 2021, they are working on putting internal controls in place to reconcile the banks and the cashbook.

FINDING 2019-003

Fiscal year in which the finding initially occurred: 2012

Status of Audit Finding:

This was a repeat finding not because of the information for the Schedule on 2019 not being correct but due to the omission of the Covid-19 grant and the fiscal body not appropriating the funds correctly.

We will continue our Corrective Action Plan into 2020 and 2021 as we change how our Internal Controls take place so that the Auditors office is handling the grants awarded from the US Treasury for Covid-19 and The American Rescue Plan.

BOONE COUNTY TREASURER

Nicole K. (Nikki) Baldwin

209 Courthouse Square - Lebanon, IN 46052

(765) 482-2880 Fax (765) 483-4436

CORRECTIVE ACTION PLAN

FINDING 2020-001 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Nikki Baldwin- Boone County Treasurer
Contact Phone Number: 765-483-4435

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Cash & Investments: I took office January 1, 2021, therefore the finding regarding internal controls where only one individual was involved in the bank reconciliation process was prior to my administration. However, after taking office, I am conducting the bank reconciliation process and a Deputy Treasurer is reviewing and signing off on the monthly bank reconcilements.

The Cyma system is our tool to track outstanding items. When I took office, the outstanding checklist had not been reviewed or researched for accuracy. The outstanding checklists are being worked through and cleaned up throughout 2021, this will allow the list to become a truer and more accurate tool as it was designed.

The Auditor and Treasurer's Offices are conducting monthly reconciliations of the Funds Ledgers. The Treasurer is then reviewing the agreed upon fund ledger balance and is making sure that is the amount that is being reflected on the cashbook at month end.

Receipts & Financial Close & Receipting: In 2020 the Treasurer-Excise Tax Collected was posted monthly on the cashbook in 2020. In March 2021 the Treasurer's office started posting the Excise Tax timelier and truer to when the deposits were posted at the bank. This should correct with the Treasurer-Excise tax receipts from being posted untimely Also, the bank reconciliation process is being completed by the Treasurer and reviewed by a Deputy Treasurer every month, this should correct the Excise Tax from being materially understated on the cashbook.

I also intent to continue to place more intense internal controls moving forward to detect material misstatements for the future Annual Financial Reports I file with the Auditor. I will provide supporting documentation to the Auditor for after settlement collections and a copy of the cashbook so we can discuss the figures I report, and she can verify the numbers I provide.

Anticipated Completion Date: January 31, 2021, some of these findings were already beginning to be addressed. It is my intent to continue to address and continue to correct the findings from the 2020 Audit, throughout 2021, which were detected late October 2021

Nicole K. Baldwin
Boone County Treasurer
1/15/2022

**Office of the Auditor
Boone County
201 Courthouse Square
Lebanon, IN 46052**

**Debbie Morton-Crum
Auditor**

(765) 482-2940
Fax: (765) 483-4434
Email: dcrum@co.boone.in.us

CORRECTIVE ACTION PLAN

2020-001

Contact Person Responsible for Corrective Action: Debbie Morton-Crum, County Auditor
Contact Phone Number: 765-482-2940

View of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

We have implemented a second layer of internal controls over our receipting process to verify the amounts are posted correctly and to the correct fund.

We are currently working on building better reports and implementing them into our year end reporting process. We are working with our software vendor to compile the correct reports needed to upload to our annual financial report (AFR) that is filed yearly showing all receipts and disbursements for the year.

Anticipated Completion Date: February 15, 2022

**Office of the Auditor
Boone County
201 Courthouse Square
Lebanon, IN 46052**

**Debbie Morton-Crum
Auditor**

(765) 482-2940
Fax: (765) 483-4434
Email: dcrum@co.boone.in.us

CORRECTIVE ACTION PLAN

2020-002

Contact Person Responsible for Corrective Action: Debbie Morton-Crum, County Auditor
Contact Phone Number: 765-482-2940

View of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

We have revised our Internal Controls over the federal award information entered in Gateway and will work with our financial advisor to get a better understanding of the difference between the state and federal monies that need reported on the Annual Financial Report (AFR).

We will also make sure this office handles all Federal Government grant awards for the purpose of Covid-19 or the American Rescue Plan Act.

Anticipated Completion Date: March 1, 2022

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/>.