

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

BOONE COUNTY, INDIANA

January 1, 2021 to December 31, 2021



FILED
08/05/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Debbie Morton-Crum	01-01-21 to 12-31-22
County Treasurer	Nikki Baldwin	01-01-21 to 12-31-22
Clerk of the Circuit Court	Jessica Fouts	01-01-21 to 12-31-22
County Sheriff	Michael Nielson	01-01-21 to 12-31-22
County Recorder	Debbie Ottinger	01-01-21 to 12-31-22
President of the Board of County Commissioners	Tom Santelli Jeff Wolfe	01-01-21 to 12-31-21 01-01-22 to 12-31-22
President of the County Council	Steve Jacob Elise Nieshalla	01-01-21 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, 2021, and the related notes to the financial statement, which collectively comprise the County's financial statement and have issued our report thereon dated July 20, 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.

Report On Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, 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 2021-001 and 2021-002, 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)

Report On Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 2021-001 and 2021-002.

Boone County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. 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

July 20, 2022



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

TO: THE OFFICIALS OF BOONE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Opinion on Each 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 each of its major federal programs for the year ended December 31, 2021. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2021-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The County's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-003 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the County's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statement of the County, as of and for the year ended December 31, 2021, and the related notes to the financial statement. We issued our report thereon dated July 20, 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 performed for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.



Beth Kelley, CPA, CFE
Deputy State Examiner

July 20, 2022

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, 2021

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 Justice</u>					
COVID-19 - Coronavirus Emergency Supplemental Funding Program CESF 8903	Indiana Criminal Justice Institute	16.034	2020-VD-BX-0244	\$ -	\$ 138,642
Crime Victim Assistant CRIME VICTIM ASSISTANCE	Indiana Criminal Justice Institute	16.575	VOCA-2020-00230	-	66,949
Violence Against Women Formula Grants STOP DOMESTIC VIOLENCE 9138	Indiana Criminal Justice Institute	16.588	2020-WF-AX-0031	-	37,023
Edward Byrne Memorial Justice Assistance Grant Program BYRNE JAG PROGRAM 9207	Indiana Criminal Justice Institute	16.738	O-BJA-2021-135004	-	73,582
Total - Department of Justice				-	316,196
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction BRIDGE INSPECTION & INVENTORY 9203	Indiana Department of Transportation	20.205	DES #1500227	-	6,615
BOONE COUNTY BRIDGE 41			DES #1600773	-	119,236
BOONE COUNTY BRIDGE 154			DES #1800246	-	67,544
BOONE COUNTY BRIDGE 192			DES #1802833	-	73,311
BOONE COUNTY BRIDGE 202			DES #1600868	-	77,809
Total - Highway Planning and Construction				-	344,515
Total - Highway Planning and Construction Cluster				-	344,515
Federal Transit Cluster Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs Transit Authority	Indiana Department of Transportation	20.526	PO 0020056947	70,618	70,618
Total - Federal Transit Cluster				70,618	70,618
Highway Safety Cluster State and Community Highway Safety Comprehensive Highway Injury Reduction Program SAVE	Indiana Criminal Justice Institute	20.600	69A3751930000402INO SAVE-2021-000012	-	18,068
Total - State and Community Highway Safety				-	36,051
Total - Highway Safety Cluster				-	36,051
COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program TRANSIT 7403	Indiana Department of Transportation	20.509	IN-2021-020-00	511,997	511,997

BOONE COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2021

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
Minimum Penalties for Repeat Offenders for Driving While Intoxicated DUI TASK FORCE 4011	Indiana Criminal Justice Institute	20.608	69A37519300000164INA	-	17,744
Total - Department of Transportation				582,615	980,925
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus Relief Fund SAFETY AWARENESS CORONAVIRUS RELIEF FUND 8904	Indiana Finance Authority	21.019	FY2021	-	217,370
Total - Department of the Treasury				-	217,370
<u>Department of Health and Human Services</u>					
Public Health Emergency Preparedness PUBLIC HEALTH EMERGENCY PREPAREDNESS 9184	Indiana State Department of Health	93.069	6NU90TP922052	-	29,115
Immunization Cooperative Agreements COVID 19 VACCINE CLINIC	Indiana State Department of Health	93.268	NH23IP000723	-	68,894
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) 9211	Indiana State Department of Health	93.323	NUS0CK000503	-	13,055
Child Support Enforcement General Fund (Indirect Cost Reimbursement) General Fund (Clerk's Record Perpetuation Fund) General Fund (Clerk Expenditures) General Fund (Circuit Court Expenditures) General Fund (Prosecutor Expenditures) Title IV-D Incentive Fund 8895	Indiana Department of Child Services	93.563	FY2021 FY2021 FY2021 FY2021 FY2021 FY2021	- - - - - -	17,957 6,376 27,086 6,575 211,790 24,159
Total - Child Support Enforcement				-	293,943
Opioid STR Justice Partners Addictions Response Grant	Indiana Office of Court Services	93.788	21-5JC89-C6-001	-	7,501
Total - Department of Health and Human Services				-	412,508
<u>Department of Homeland Security</u>					
Emergency Management Performance Grants EMERGENCY MANAGEMENT PERFORMANCE GRANT 1000.0361 EMPG COMPETITIVE/SALARY GRANT 1000.9538	Indiana Department of Homeland Security	97.042	EMC-2019-EP-00003-S01-41120 EMC-2020-EP-00001-501-49268	- -	5,000 30,000
Total - Emergency Management Performance Grants				-	35,000
Total - Department of Homeland Security				-	35,000
Total federal awards expended				\$ 582,615	\$ 1,961,999

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, 2021. 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 programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

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

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
20.509	Highway Planning and Construction Cluster COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program	Unmodified 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 2021-001

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 2020-001.

BOONE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

There were deficiencies in the internal control system of the County related to financial transactions and reporting.

The County had designed an internal control over financial close and reporting; however, the internal control was not properly implemented and did not detect and allow correction of material misstatements in the Annual Financial Report which was the source of the County's financial statement. The financial statement presented for audit included the following errors.

1. The Sheriff's Inmate Trust fund was omitted, which understated the beginning balance by \$52,927, receipts by \$680,056, disbursements by \$662,864, and ending balance by \$70,119.
2. The Sheriff's Commissary fund was omitted, which understated the beginning balance by \$140,570, receipts by \$152,746, disbursements by \$238,509, and ending balance by \$54,807.
3. The Treasurer - Excise Taxes Collected fund was omitted, which understated the beginning balance by \$6,065,487, receipts by \$7,740,861, disbursements by \$6,065,487, and ending balance by \$7,740,861.
4. The Treasurer - Cash Change fund was omitted, which understated the beginning balance by \$1,000, receipts by \$1,000, disbursements by \$1,000, and ending balance by \$1,000.
5. The Clerk - Trust Account Odyssey fund was omitted, which understated the beginning balance by \$3,467,547, receipts by \$8,070,478, disbursements by \$6,200,704, and ending balance by \$6,337,321.
6. The Clerk - ISETS fund was omitted, which understated the beginning balance by \$17,139, receipts by \$240,821, disbursements by \$256,857, and ending balance by \$1,103.
7. The Clerk - Court Ordered Interest Bearing Acc fund was omitted, which understated the beginning balance by \$3,577, receipts by \$1, and ending balance by \$3,578.
8. The Self-Insurance fund was omitted, which overstated the beginning balance by \$194,312, understated receipts by \$6,999,237, understated disbursements by \$6,990,367, and overstated ending balance by \$185,442.
9. Other funds contained immaterial errors to amounts reported for receipts and disbursements.

The financial statement also included the following errors related to payroll funds:

1. The Insurance - UMR Health fund receipts and disbursements were overstated by \$3,260,708.
2. Fifteen other payroll funds contained immaterial errors in the amounts reported for receipts and disbursements.

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

BOONE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(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](#)."

Cause

Management had not established a proper system of internal control related to financial transactions 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 2021-002

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 2020-002.

BOONE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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).

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 prior to submission.

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

1. The Covid-19 - Coronavirus Emergency Supplemental Funding Program expenditures were understated by \$13,022.
2. The Highway Planning and Construction Cluster expenditures were overstated by \$6,036.
3. The Covid-19 - Formula Grants for Rural Areas and Tribal Transit Program expenditures were overstated by \$43,679.
4. The Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Program expenditures were understated by \$70,618.
5. The State and Community Highway Safety expenditures were understated by \$865.
6. The Minimum Penalties for Repeat Offenders for Driving While Intoxicated expenditures were understated by \$865.
7. The Immunization Cooperative Agreements expenditures were understated by \$68,894.
8. The Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) expenditures were understated by \$13,055.
9. The Affordable Care Act Implementation Support for State Demonstrations to Integrate Care for Medicare-Medicaid Enrollees Program expenditures were erroneously reported overstating expenditures by \$39,721.
10. The Child Support Enforcement expenditures were overstated by \$265,192.
11. The Opioid STR expenditures were overstated by \$162,420.

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:

BOONE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.1 states in part:

". . . *Internal controls* for non-Federal entities means:

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - (i) Effectiveness and efficiency of operations;
 - (ii) Reliability of reporting for internal and external use; . . ."

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 . . ."

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:

BOONE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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.
- (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.

BOONE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2021-003

Subject: COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program - Suspension and Debarment
Federal Agency: Department of Transportation
Federal Program: COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program
Assistance Listings Number: 20.509
Federal Award Number and Year (or Other Identifying Number): IN-2021-020-00
Pass-Through Entity: Indiana Department of Transportation
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition and Context

An effective internal control system was not in place at the County to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The County did not have procedures in place to verify entities were not suspended, debarred or otherwise excluded from or ineligible for participation in Federal assistance program or activities. No vendors with contracts over \$25,000 or subrecipients were verified by the County. The County's prior Suspension and Debarment Agreement was dated June 3, 2019.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 180.300 states in part:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

BOONE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management had not developed a system of internal control that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement could have resulted in the loss of federal funds to the County.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended the County's management establish a system of internal control to ensure compliance and comply with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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

**Office of the Auditor
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Lebanon, IN 46052**

**Debbie Morton-Crum
Auditor**

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-001

Fiscal year in which the finding initially occurred: 2013

Status of Audit Finding: Partially corrected

The County Treasurer has implemented internal controls over Cash Investments and Financial Reporting. Bank Reconciliations are prepared by the Treasurer and reviewed by a Deputy Treasurer. The monthly bank reconciliation is also reconciled by the Treasurer's Cash book and reviewed by Deputy Treasurer. During 2019, monthly bank reconciliations were not performed for year-end, so accurate figures could not be provided to the county auditor for the AFR report. During 2021, the Treasurer was able to reconcile the banks and able to provide accurate figures on the Supplemental Financial Report.

The County Auditor implemented an internal control over receipts recorded in the ledger. A print-out of receipts recorded in the County Auditor's office is taken to the Treasurer's office for review.

The County Auditor continues to work to identify the deficiencies in Financial Reporting related to the Financial Statement and works diligently with the other departments to identify any misstatements of funds. Internal controls are in place for the Auditor's Office and Treasures Office to balance at the end of each month.

FINDING 2020-002

Fiscal year in which the finding initially occurred: 2012

Status of Audit Finding: Ongoing

The County Auditor continues to work to identify the deficiencies in financial reporting related the SEFA and is working on putting in place an effective internal control for gathering all Federal Grant information from each department. We have also gained great knowledge in how to report several of our grants that we were not aware of previous to this Audit.

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CORRECTIVE ACTION PLAN

Finding 2021-001

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 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. We will also work on an Internal Control to gather the Supplemental Reports from the other Department Heads to submit on the annual financial report.

Anticipated Completion Date: March 1, 2023

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CORRECTIVE ACTION PLAN

Finding 2021-002

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 the Commissioners to put a county-wide policy in place for receiving federal grant monies and information.

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

Anticipated Completion Date: March 1, 2023

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CORRECTIVE ACTION PLAN

Finding 2021-003

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:

Will implement an Internal Control and work with the Commissioners and County Attorney in making sure that the Transit Grant includes a suspension and debarment agreement as part of the approval of the grant process.

Anticipated Completion Date: May 1, 2023

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/>.