

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

FLOYD COUNTY, INDIANA

January 1, 2021 to December 31, 2021



**FILED**  
08/26/2022



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Jacqueline Wenning	01-01-21 to 12-31-22
County Treasurer	Steve Burks	01-01-21 to 12-31-22
Clerk of the Circuit Court	Danita Burks	01-01-21 to 12-31-22
County Sheriff	Frank Loop	01-01-21 to 12-31-22
County Recorder	Lois N. Endris	01-01-21 to 12-31-22
President of the Board of County Commissioners	Shawn Carruthers	01-01-21 to 12-31-22
President of the County Council	Brad Striegel Dale Bagshaw	01-01-21 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, 2021, and the related notes to the financial statement, which collectively comprise the County's financial statement and have issued our report thereon dated August 4, 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, 2021-002, and 2021-003, 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)

***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 2021-002 and 2021-003.

***Floyd 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

August 4, 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 FLOYD COUNTY, INDIANA

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

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

We have audited Floyd County's (County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 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. Noncompliance 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 items 2021-004 and 2021-005. 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 items 2021-004 and 2021-005, to be material weaknesses.

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 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 August 4, 2022, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, 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

August 4, 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.

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FLOYD 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 Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program Schools Breakfast Program	Indiana Department of Education	10.553	2021	\$ -	\$ 5,431
National School Lunch Program National School Lunch Program	Indiana Department of Education	10.555	2021	-	8,288
COVID-19 - National School Lunch Program National School Lunch Program	Indiana Department of Education	10.555	2021	-	284
Total - National School Lunch Program				-	8,572
Child Nutrition Discretionary Grants Limited Availability 2019 NSLP Equipment Grant	Indiana Department of Education	10.579	K066	-	12,783
Total - Child Nutrition Cluster				-	26,786
WIC Special Supplemental Nutrition Program for Women, Infants, and Children WIC WIC	Indiana State Department of Health	10.557	40010557WICAD21 40010557WPCG021	-	219,864
Total - WIC Special Supplemental Nutrition Program for Women, Infants, and Children				-	221,680
Total - Department of Agriculture				-	248,466
<u>Department of Housing and Urban Development</u>					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii CDBG	Office of Community and Rural Affairs	14.228	B19DC180001	-	32,525
Total - Department of Housing and Urban Development				-	32,525
<u>Department of Justice</u>					
COVID-19 - Coronavirus Emergency Supplemental Funding Program CESF	Direct Grant	16.034	CESF-2020-17-01	-	49,862
Equitable Sharing Program Sheriff Forfeiture	Direct Grant	16.922	1123-0011	-	52,040
Total - Department of Justice				-	101,902

FLOYD 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 Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
Charlestown Road Multi-Use Plan			DES 1400550	-	6,743
Bridge Inspection			DES 1500204	-	38,256
Bridge 51 Reconstruction			DES 1700788	-	111,563
Blunk-Knob Guardrail			DES 1801581	-	9,105
Farnsley Knob Road Guardrail			DES 1801582	-	6,290
Total - Highway Planning and Construction				-	171,957
Total - Highway Planning and Construction Cluster				-	171,957
Interagency Hazardous Materials Public Sector Training and Planning Grants	Indiana Department of Homeland Security	20.703			
2019 HMEP			38521HMEP000000	-	10,750
2021 HMEP			38520HMEP000000	-	10,750
Total - Interagency Hazardous Materials Public Sector Training and Planning Grants				-	21,500
Total - Department of Transportation				-	193,457
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus Relief Fund CARES Act	Indiana State Department of Health	21.019	FY2021	-	79,928
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds American Rescue Plan	Indiana State Department of Health	21.027	FY2021	184,235	752,765
Total - Department of the Treasury				184,235	832,693
<u>Department of Health and Human Services</u>					
Public Health Emergency Preparedness	Indiana State Department of Health	93.069			
Hospital Preparedness Program			40093069PHEPA22	-	14,625
Hospital Preparedness Program			40093069PHEPA21	-	29,458
Hospital Preparedness Program			40093069PHEPA20	-	4,216
Total - Public Health Emergency Preparedness				-	48,299

FLOYD 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
COVID-19 - Immunization Cooperative Agreements VC Vaccinators COVID VC Vaccinators	Indiana State Department of Health	93.268	NH23IP00723 NH23IP922631	- -	50,764 <u>32,443</u>
Total - COVID-19 - Immunization Cooperative Agreements				-	<u>83,207</u>
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) COVID Testing	Indiana State Department of Health	93.323	NU50CK000503	-	<u>79,928</u>
Child Support Enforcement Child Support-Prosecutor Incentive Fund Child Support-Prosecutor Child Support-Circuit Court Child Support-Clerk Child Support-Clerk Incentive Fund Child Support-Court Incentive Fund Child Support-Indirect Costs	Indiana Department of Child Services	93.563	2021 2021 2021 2021 2021 2021 2021	- - - - - - -	35,721 345,998 25,757 18,636 6,870 9,000 <u>61,130</u>
Total - Child Support Enforcement				-	<u>503,112</u>
Opioid STR 2022 Sequential Intercept Model Grant	Indiana Supreme Court	93.788	22-5JC89-C22-001	-	<u>72,604</u>
Total - Department of Health and Human Services				-	<u>787,150</u>
<u>Department of Homeland Security</u>					
COVID-19 - Disaster Grants-Public Assistance(Presidentially Declared Disasters) EMA	Indiana Department of Homeland Security	97.036	385PA4515000000	-	<u>102,100</u>
Emergency Management Performance Grants EMPG Salary Reimbursement-2019 EMPG Salary Reimbursement-2020	Indiana Department of Homeland Security	97.042	EMC-2019-EP-00003-S01 EMC-2020-EP-00001-S01	- -	40,691 <u>30,000</u>
Total - Emergency Management Performance Grants				-	<u>70,691</u>
Homeland Security Grant Program EMA	Indiana Department of Homeland Security	97.067	EMW 2019 SS 00013	-	<u>22,090</u>
Total - Department of Homeland Security				-	<u>194,881</u>
Total federal awards expended				<u>\$ 184,235</u>	<u>\$ 2,391,074</u>

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, 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.

FLOYD COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

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

Federal Awards:

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

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

Assistance Listings Numbers	Name of Federal Program or Cluster	Opinion Issued
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	Unmodified
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	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 Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2020-001.

FLOYD COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition and Context*

The County had not established internal controls over the financial information entered in the Indiana Gateway for Government Units financial reporting system, which was the source of the County's Annual Financial Report (AFR). No evidence was presented for audit that indicated someone other than the preparer reviewed the AFR prior to submission.

*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. . . ."

*Cause*

Management had not established a proper system of internal control over financial transactions and reporting.

*Effect*

The failure to establish a system of internal control could have enabled misstatements or irregularities to remain undetected.

*Views of Responsible Officials*

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

**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.

FLOYD COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition and Context*

The County had not established internal controls over the federal award information entered in the Indiana Gateway for Government Units financial reporting system, which was the source of the County's Schedule of Expenditures of Federal Awards (SEFA). No evidence was presented for audit that indicated someone other than the person that entered the federal grant information reviewed the information for completeness and accuracy.

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

1. The COVID-19 - Coronavirus Relief Fund grant was omitted, which understated expenditures by \$79,928.
2. The COVID-19 - Coronavirus State and Local Fiscal Recovery Funds grant was omitted, which understated expenditures by \$752,765.
3. Several additional grants had individually immaterial errors that resulted in misstatements of expenditures of \$326,936, in total.
4. Other errors included incorrect program names, pass-through entity names, award numbers, and amounts passed through to subrecipients.

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

*Criteria*

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

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

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

FLOYD COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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:

- (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."

(7) FLOYD COUNTY  
(8) SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(9) (Continued)

*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 included 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 2021-003**

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 2020-003.

*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.

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 \$1,390,699 to \$3,766,339. The outstanding check list used in the bank reconciliation included ten checks that totaled \$1,443,818, which had been voided within the records and were not removed from the outstanding check list. Additionally, there were seven checks that totaled \$332,174 that were not on the outstanding check list that should have been. A comparison of the County Treasurer's Daily Balance of Cash Depositories, Form 47 (Cash Book) to the bank depository account on December 31, 2021, indicated an unidentified cash short of \$598,933.

*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:

FLOYD 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. . . ."

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 Counties of Indiana, Chapter 1)

*Cause*

Management 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, 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.

FLOYD COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

**FINDING 2021-004**

Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery  
Funds - Procurement and Suspension and Debarment  
Federal Agency: Department of the Treasury  
Federal Program: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds  
Assistance Listings Number: 21.027  
Federal Award Number and Year (or Other Identifying Number): FY2021  
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.

*Procurement*

The County contracted with an engineering firm for a feasibility study for a sanitary sewer project. The total dollar amount of the contract was \$50,000. Of that amount, \$3,500 was paid to the vendor in 2021. Although Indiana Code 5-22-6 allows for services to be procured by any method the government entity finds reasonable, since the services were procured with federal funds, they are subject to the procurement requirements found in the Uniform Guidance. Therefore, the County should have followed the requirements located in 2 CFR 200.317 through 2 CFR 200.320, which required full and open competition. The CFR also required that documentation detailing the history of the procurement or the County's justification for limiting competition be maintained, which the County did not provide for audit.

*Suspension and Debarment*

The County stated they verified vendors were not excluded or disqualified from participation in federal award programs; however, no documentation of the verification was presented for audit.

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). . . ."

FLOYD COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.318(i) states:

"The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: Rationale for the method of procurement, selection of contact type, contractor selection or rejection and the basis for contract price."

2 CFR 200.319(a) states: "All procurement transactions for the acquisition of property or services required under a Federal award must be conducted in a manner providing full and open competition consistent with the standards of this section and § 200.320."

2 CFR 200.320 states in part:

"The non-Federal Entity must have and use documented procurement procedures, consistent with the standards of this section and §§ 200.317, 200.318, and 200.319 for any of the following methods of procurement used for the acquisition of property or services required under a Federal award or sub-award. one of the following methods of procurement. . . .

(a) *informal procurement methods*. When the value of the procurement for property or services under a Federal award does not exceed the *simplified acquisition threshold (SAT)*, as defined in § 200.1, or a lower threshold established by a non-Federal entity, formal procurement methods are not required. The non-Federal entity may use informal procurement methods to expedite the completion of its transactions and minimize the associated administrative burden and cost. The informal methods used for procurement of property or services at or below the SAT include: . . .

(2) *Small purchases* -

(i) *Small purchase procedures*. The acquisition of property or services, the aggregate dollar amount of which is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity. . . ."

Indiana Code 5-22-6-1 states: "The purchasing agency of a governmental body may purchase services using any procedure the governmental body or the purchasing agency of the governmental body considers appropriate."

31 CFR 19.300 states:

"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 *EPLS*; or
- (b) Collecting a certification from that person if allowed by this rule; or
- (c) Adding a clause or condition to the covered transaction with that person."

**Cause**

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

FLOYD COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*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 that 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.

**FINDING 2021-005**

Subject: WIC Special Supplemental Nutrition Program for Women,  
Infants, and Children - Cash Management  
Federal Agency: Department of Agriculture  
Federal Program: WIC Special Supplemental Nutrition Program for Women, Infants, and Children  
Assistance Listings Number: 10.557  
Federal Award Numbers and Years (or Other Identifying Numbers): 40010557WICAD21,  
40010557WPCG021  
Pass-Through Entity: Indiana State Department of Health  
Compliance Requirement: Cash Management  
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 Cash Management compliance requirement.

The County submitted 12 reimbursement requests during the audit period. Of those reimbursement requests submitted, 5 included twelve accounts payable vouchers totaling \$4,215 that were paid after the date of the reimbursement request.

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:

FLOYD COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

(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 200.305(b) states in part:

"For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. . . ."

(3) Reimbursement is the preferred method when the requirements in this paragraph (b) cannot be met, when the Federal awarding agency sets a specific condition per § 200.208, or when the non-Federal entity requests payment by reimbursement. This method may be used on any Federal award for construction, or if the major portion of the construction project is accomplished through private market financing or Federal loans, and the Federal award constitutes a minor portion of the project. . . ."

*Cause*

Management had not developed a system of internal control that would have ensured compliance with the compliance requirement listed above.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Cash Management 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 that the County's management establish a system of internal control to ensure compliance and comply with the grant agreement and the Cash Management 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.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2020-001**

Fiscal year in which finding initially occurred: 2012

Status of Audit Finding: Ongoing

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

The Auditor's office continues to work to correct audit findings to the best of its abilities.

**FINDING 2020-002**

Fiscal year in which finding initially occurred: 2012

Status of Audit Finding: Ongoing

Internal controls 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 input into the Gateway reporting system regarding federal grant programs.

We are also requesting before new Funds, for incoming grants, is approved, all information pertaining to the grant be submitted to the Auditor's office.

We continue to strive to correct deficiencies in these areas.



**Steve D. Burks**  
**Floyd County Treasurer**

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

FINDING 2020-003

### **Fiscal year in which the finding initially occurred.**

- Fiscal year in which the finding initially occurred: 2019

### **Status of Audit Finding**

#### **Bank Reconciliations:**

- 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 amounts continue to be reduced and our staff continues to look through everything to bring this into alignment and to bring the bank statement into proper reconciliation in accordance with state statutes.

#### **Timely Financial Recording:**

- We continually monitor emails from the Auditor of State, upon receiving receipts, we then go to the SCP site and receipt all excise tax in. Copies are made of each receipt, those receipt are recording on a ledger, then three copies of a receipt with each individual receipt is recorded, one is given to the staff for the cash book, one is turned into the auditor and one is kept in our files. We do this in a timely fashion to make sure we are in compliance with state statute.

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[www.floydcounty.in.gov](http://www.floydcounty.in.gov)



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**Jacqueline Wenning**, Auditor of Floyd County

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## **CORRECTIVE ACTION PLAN**

### **Finding 2021 -001**

**Contact Person Responsible for Corrective Action:** Jacqueline Wenning, County Auditor

**Contact Phone Number:** 812-948-5435

**Views of Responsible Official:** We concur with the finding

### **Description of Corrective Action Plan:**

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

The county works with 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.

**Anticipated compliance date:** January 31, 2023



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**Jacqueline Wenning**, Auditor of Floyd County

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## **CORRECTIVE ACTION PLAN**

### **Finding 2021-002**

**Contract Person Responsible for Corrective Action:** Jacqueline Wenning, County Auditor

**Contact Phone Number:** 8122-948-5435

**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 programs 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 2021-003**

Contact Person Responsible for Corrective Action: Steve Burks, County Treasurer  
Contact Phone Number: 812.948.5477

Views of Responsible Official: We concur with the finding

#### Description of Corrective Action Plan:

1. Internal Controls- Internal Control policy was established as follows and continues to be followed.
2. 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.
3. **Chief Deputy duties:** Daily cashbook reconciliation of receipts, quietus, and warrants and GL posting, prepare daily bank deposit.
4. **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.
5. **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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Jacqueline Wenning, Auditor of Floyd County

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## CORRECTIVE ACTION PLAN

**Finding 2021-004**

**Contact Person Responsible for Corrective Action:** Jacqueline Wenning, County Auditor

**Contact Phone Number:** 812-948-5435

**Views of Responsible Official:** We concur with the finding

**Description of Corrective Action Plan:**

**Procurement:** The County followed the State requirements for engineering procurement rather than federal requirements. The County will follow required federal procurement procedures for procurement of engineering and professional services moving forward.

**Suspension and Debarment:** The County does verify suspension and debarment of vendors using the federal portal. Moving forward, the County will print off the screen of the site and place with the file as documentation that vendor has been verified as not being on the suspension or debarment list.

**Anticipated Completion Date:** January 31, 2023

# FLOYD COUNTY HEALTH DEPARTMENT

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1917 Bono Road  
New Albany, Indiana 47150  
812-948-4726



## CORRECTIVE ACTION PLAN

### ***FINDING 2021-005***

Contact Person Responsible for Corrective Action: Charlotte Bass, County Health Department Administrator  
Contact Phone Number: 812-948-4726

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Krista Comer will continue to prepare the monthly state reimbursement requests. She will verify checks have been cut by the county using the transaction history report before she submits the request for reimbursement from the state. Charlotte Bass will continue to review the report.

Anticipated Completion Date: August 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/>.