

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

HOWARD COUNTY, INDIANA

January 1, 2021 to December 31, 2021



FILED
09/13/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Jessica Secrease	01-01-21 to 12-31-22
County Treasurer	Christie Branch	01-01-21 to 12-31-22
Clerk of the Circuit Court	Debbie Stewart	01-01-21 to 12-31-22
County Sheriff	Jerry Asher	01-01-21 to 12-31-22
County Recorder	Jennifer Jack	01-01-21 to 12-31-22
President of the Board of County Commissioners	Paul Wyman	01-01-21 to 12-31-22
President of the County Council	Jamie Bolser (Vacant)	01-01-21 to 07-26-22 07-27-22 to 08-10-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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 HOWARD 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 Howard 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 10, 2022, wherein we noted the County followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

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 item 2021-001, 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 item 2021-001.

Howard 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 10, 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 HOWARD COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Howard 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.

Qualified Opinion on COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the COVID-19 - Coronavirus State and Local Fiscal Recovery Funds for the year ended December 31, 2021.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2021.

Basis for Qualified and Unmodified Opinions

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.

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)

Matters Giving Rise to Qualified Opinion on COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding 21.027 COVID-19 - Coronavirus State and Local Fiscal Recovery Funds as described in finding numbers 2021-002 and 2021-003 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Procurement and Suspension and Debarment. Compliance with such requirement is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

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.

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.

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)

Other 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.

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 2021-002 and 2021-003, 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 10, 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 10, 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.

HOWARD 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	Indiana Department of Education	10.553			
Kinsey School Breakfast			CY 2021	\$ -	\$ 13,615
National School Lunch Program	Indiana Department of Education	10.555			
Kinsey National School Lunch			CY 2021		22,794
Commodities			CY 2021	-	8,170
Total - National School Lunch Program				-	30,964
Total - Child Nutrition Cluster				-	44,579
Total - Department of Agriculture				-	44,579
<u>Department of Housing and Urban Development</u>					
COVID-19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii NCIR Development Block	Indiana Office of Community and Rural Affairs	14.228			
			B-20-DW-18-0001	1,707	14,797
Total - Department of Housing and Urban Development				1,707	14,797
<u>Department of Justice</u>					
COVID-19 - Coronavirus Emergency Supplemental Funding Program COVID - CEF	Indiana Criminal Justice Institute	16.034			
			2020-VD-BX-1393	-	29,679
Crime Victim Assistance VOCA - Adult Probation	Indiana Criminal Justice Institute	16.575			
			2018-V2-GX-0031	-	108,497
Violence Against Women Formula Grants Stop Violence Against Women	Indiana Criminal Justice Institute	16.588			
			2020-WF-AX-0031	-	46,872
Public Safety Partnership and Community Policing Grants COPS Hiring Program (CHP)	Indiana Criminal Justice Institute	16.710			
			2020UMWX0466	-	187,207
Total - Department of Justice				-	372,255
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
Local Road and Street			0710021	-	235
Cumulative Bridge			1401816	-	1,031
Cumulative Bridge			1401817	-	119,828
Cumulative Bridge			1500284	-	76,270
Cumulative Bridge			1600623	-	14,582
Cumulative Bridge			1902780	-	45,988
Total - Highway Planning and Construction				-	257,934
Total - Highway Planning and Construction Cluster				-	257,934
Highway Safety Cluster					
State and Community Highway Safety	Indiana Criminal Justice Institute	20.600			
Stop Arm Violation Enforcement			SAVE-2021-00024	-	1,751
Impaired and Dangerous Driving			CHIRP-2021-00054	-	6,933
Total - State and Community Highway Safety				-	8,684
National Priority Safety Programs	Indiana Criminal Justice Institute	20.616			
National Priority Safety Programs			CY 2021	-	1,523
Total - Highway Safety Cluster				-	10,207

HOWARD 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 Taskforce	Indiana Criminal Justice Institute	20.608	CHIRP-2021-00054	-	8,578
Total - Department of Transportation				-	276,719
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus Relief Fund COVID - Safe Recovery Site	Indiana Finance Authority	21.019	CY 2021	-	267,227
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds COVID - CARES Safety Awareness	Direct Grant	21.027	CY 2021	-	833,702
Total - Department of the Treasury				-	1,100,929
<u>Department of Health and Human Services</u>					
Public Health Emergency Preparedness PHEP Base	Indiana State Department of Health	93.069	CY 2021	-	9,283
Injury Prevention and Control Research and State and Community Based Programs Overdose Prevention Overdose Prevention	Indiana State Department of Health	93.136	NU17CE9249900-01-00 CDC-RFA-CE19-1904	-	71,597 54,300
Total - Injury Prevention and Control Research and State and Community Based Programs				-	125,897
COVID-19 - Immunization Cooperative Agreements Health - Local Testing	Indiana State Department of Health	93.268	NH23IP922631	-	76,657
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) Health - Local Testing	Indiana Department of Child Services	93.323	NU50CK000503	-	76,808
Child Support Enforcement Title IV-D Child Enforcement Title IV-D Child Enforcement Title IV-D Child Enforcement Title IV-D Child Enforcement Title IV-D Child Enforcement	Indiana Department of Child Services	93.563	CY 2021 CY 2021 CY 2021 CY 2021 CY 2021	- - - - -	14,370 79,442 20,896 588,327 105,984
Total - Child Support Enforcement				-	809,019
Opioid STR SIM - Addiction Response	Indiana Supreme Court	93.788	21-5JC89-C34-001	-	58,971
Total - Department of Health and Human Services				-	1,158,635
<u>Department of Homeland Security</u>					
Emergency Management Performance Grants EMPG - Salaries EMPG - Salaries	Indiana Department of Homeland Security	97.042	EMC-2019-EP-00003-S01 EMC-2020-SP-00001-S01	- -	50,497 52,350
Total - Emergency Management Performance Grants				-	102,847
Total - Department of Homeland Security				-	102,847
Total federal awards expended				\$ 1,707	\$ 3,070,761

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

HOWARD 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.

HOWARD 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
21.019	Highway Planning and Construction Cluster	Unmodified
21.027	COVID-19 - Coronavirus Relief Fund	Unmodified
	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Qualified

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

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).

HOWARD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The County failed to properly review the federal grant information prepared and submitted in Gateway. Although one employee prepared and entered the federal award information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors 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 Relief Fund grant expenditures were overstated by \$576,390.
2. The COVID-19 - Coronavirus State and Local Fiscal Recovery Funds grant expenditures were understated by \$566,425.
3. Several additional grants had individually immaterial errors or omissions that resulted in a combined material misstatement of \$214,136.
4. Other errors included incorrect program names, pass-through entities, and identifying numbers.

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

Criteria

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

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

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

HOWARD 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."

HOWARD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(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 contained the errors identified in the *Condition and Context*.

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2021-002

Subject: COVID-19-Coronavirus State and Local Fiscal Recovery Funds -
Activities Allowed or Unallowed, Allowable Costs/Cost Principles
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): CY 2021
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

An effective system of internal control was not in place at the County to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

The County transferred \$25,000 from the COVID-19 - Coronavirus State and Local Fiscal Recovery Funds program to the 14.228 NCIR Dev Block Grant (CDBG) fund to cover the local match for the CDBG grant. State and Local Fiscal Recovery Funds (SLFRF) are generally allowed to be used to satisfy a nonfederal matching requirement if the expense is paid under the revenue loss eligible use category. The revenue loss eligible use category allows for the funds to be spent on any service traditionally provided by the government, which would include the nonfederal match for other grants. However, the County accounted for the transfer under the Public Health and Economic Impacts eligible use category, which has specific allowable expenditures. Satisfying the nonfederal matching requirement of another grant is not one of them.

The County purchased a building for \$201,631. Before purchasing the building, the County did not obtain appraisals as required by state statute; therefore, the value of the building had not been determined. The County provided no other documentation to support that the amount paid for the building was appropriate and in compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

The amount of the transfer and the purchase price of the building, totaling \$226,631, are considered questioned costs.

HOWARD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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). . . ."

31 CFR 35.6(b) states in part:

"Responding to the public health emergency or its negative economic impacts. A recipient may use funds to respond to the public health emergency or its negative economic impacts if the use meets the criteria provided in paragraph (b)(1) of this section or is enumerated in paragraph (b)(3) of this section. . . .

(1) *Identifying eligible responses to the public health emergency or its negative economic impacts.*

(i) A program, service, or capital expenditure is eligible under this paragraph (b)(1) if a recipient identifies a harm or impact to a beneficiary or class of beneficiaries caused or exacerbated by the public health emergency or its negative economic impacts and the program, service, or capital expenditure responds to such harm.

(ii) A program, service, or capital expenditure responds to a harm or impact experienced by an identified beneficiary or class of beneficiaries if it is reasonably designed to benefit the beneficiary or class of beneficiaries that experienced the harm or impact and is related and reasonably proportional to the extent and type of harm or impact experienced. . . ."

Coronavirus State and Local Fiscal Recovery Funds, Final Rule:

Frequently Asked Questions states in part:

"4.6. May recipients use funds to satisfy non-federal matching requirements?"

Generally, yes, if using funds available under the revenue loss eligible use category, and no, if using funds under any other eligible use category, except as discussed further below. . . .

If a recipient seeks to use SLFRF funds to satisfy match or cost-share requirements for a federal grant program, it should first confirm with the relevant awarding agency that no waiver has been granted for that program, that no other circumstances enumerated under 2 CFR 200.306(b) would limit the use of SLFRF funds to meet the match or cost-share requirement, and that there is no other statutory or regulatory impediment to using the SLFRF funds for the match or cost-share requirement.

SLFRF funds beyond those that are available under the revenue loss eligible use category may not be used to meet the non-federal match or cost-share requirements of other federal programs, other than as specifically provided for by statute. . . ."

HOWARD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: . . .

(g) be adequately documented. . . ."

Indiana Code 36-1-10.5-5 states in part:

". . . (2) The purchasing agent shall appoint two (2) appraisers to appraise the fair market value of the land or structure. The appraisers must be professionally engaged in making appraisals or be trained as an appraiser and licensed as a broker under [IC 25-34.1 . . .](#)"

Cause

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

Effect

The failure to establish an effective system of internal control enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Activities Allowed or Unallowed and the Allowable Costs/Cost Principles compliance requirements could result in the loss of future federal funding to the County.

Questioned Costs

Known questioned costs of \$226,631 were identified as noted in the *Condition and Context*.

Recommendation

We recommended that the County's management establish a system of internal control to ensure compliance and to comply with the grant agreement and the Activities Allowed or Unallowed and the Allowable Costs/Cost Principles compliance requirements.

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: 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 Recovery Funds
Assistance Listings Number: 21.027
Federal Award Number and Year (or Other Identifying Number): CY 2021
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

HOWARD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

An effective system of internal control 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.

Policy

The County addressed conflicts of interest in the County's Personnel Policies Handbook. However, it did not include standards of conduct covering conflicts of interest or how to govern the actions of its employees engaged in selection, award, and administration of contracts supported by federal awards. Additionally, the County did not have a policy to use statutorily or administratively imposed in-state or local geographical preferences in the evaluation of bids or proposals.

Procurement

Federal regulations for the purchase of property and services are to reflect applicable state laws and regulations and meet all other federal requirements for procurement. The more restrictive of state law or federal regulations should be adhered to when purchasing property with federal award dollars.

The County purchased a building for \$201,631 without following applicable procurement procedures defined in Indiana Code 36-1-10.5. The County did not obtain appraisals, as required, for the purchase.

Suspension and Debarment

The County did not have procedures in place to verify vendors were not suspended, debarred, or otherwise excluded from or ineligible for participation in federal assistance programs or activities.

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 200.318 states in part:

- "(a) The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in §§ 200.317 through 200.327. . . ."

HOWARD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(c)(1) The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts. No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the non-Federal entity may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, non-Federal entities may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the non-Federal entity. . . .

(d) The non-Federal entity's procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach. . . .

(i) 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 contract type, contractor selection or rejection, and the basis for the contract price. . . ."

Indiana Code 36-1-10.5-5 states:

"A purchasing agent shall purchase land or a structure only after compliance with the following procedures:

- (1) The fiscal body of the political subdivision shall pass a resolution to the effect that it is interested in making a purchase of specified land or a structure
- (2) The purchasing agent shall appoint two (2) appraisers to appraise the fair market value of the land or structure. The appraisers must be professionally engaged in making appraisals or be trained as an appraiser and licensed as a broker under IC 25-34.1.
- (3) The appraisers shall return their separate appraisals to the purchasing agent within thirty (30) days after the date of their appointment. The purchasing agent shall keep the appraisals on file in the purchasing agent's office for five (5) years after they are given to the purchasing agent.
- (4) The purchasing agent shall give a copy of both appraisals to the fiscal body."

Indiana Code 36-1-10.5-6 states: "A purchasing agent may not purchase any land or structure for a price greater than the average of the two (2) appraisals received under section 5 of this chapter."

HOWARD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 compliance requirement listed above.

Effect

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

Questioned Costs

Questioned costs in the amount of \$201,631 were identified as noted in the *Condition and Context*.

Recommendation

We recommended that the County's management establish a system of internal control to ensure compliance and to 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.

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AUDITEE-PREPARED DOCUMENT

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



HOWARD COUNTY AUDITOR
HOWARD COUNTY ADMINISTRATION CENTER

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Jessica.secrease@howardcountyin.gov

Jessica Secrease
Heckert
Auditor

Gabrielle
Chief Deputy

CORRECTIVE ACTION PLAN

FINDING 2021-001

Jessica Secrease
765-456-2804

We concur with the finding.

Description of Corrective Action Plan:

We agree with the auditors recommendations for SEFA findings and the following action will be taken to improve our the process.

We will review each grant to make sure we are following the grant award. We will utilize Hartman and Williams to review our grants to insure we are complying with all awards. The Chief deputy and Auditor will review all grants before entering and submission to gateway for the Annual Financial Statement.

The anticipated completion date is 8/17/2022.



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Jessica Secrease
Heckert
Auditor

Gabrielle
Chief Deputy

FINDING 2021-002

Jessica Secrease
765-456-2804

We concur with the finding.

Description of Corrective Action Plan:

We agree with finding of Coronavirus State and Local Fiscal Recovery funds- activities allowed or unallowed, allowable cost/cost principals and the following action will be taken. The County's transfer of funds into the CDBG fund was simply made from an incorrect line item. All future transfers will be made from the proper line item and we will verify that our policies and procedures fully comply with requirements related to the grant agreement. All policies and procedures will be communicated and available to all staff.

The County purchased a school building from a separate local governmental entity. The assessed value of the property was approximately \$650,000 and the property was purchased by the County for \$200,000, which was deemed to be a good price. We believed, according to the applicable statutes, that since the transfer of property was from one governmental entity to another that we were not required to obtain two appraisals. Going forward, the County will obtain two appraisals prior to completing any purchase of property where required by Indiana statute.

The anticipated correction date is 8/17/2022.



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Jessica Secrease
Heckert
Auditor

Gabrielle
Chief Deputy

CORRECTIVE ACTION PLAN

FINDING 2021-003

Jessica Secrease
765-456-2804

We concur with the finding.

Description of Corrective Action Plan:

The County will establish a federally-compliant conflict of interest policy, in addition to the County's current conflict of interest policy, which will govern standards of conduct covering conflicts of interest and governing actions of employees who are engaged in selection, award and administration of contracts supported by federal awards.

We will insure that our procurement policy meets State and local geographical preferences in evaluation of bids or proposals. We will train employees on any updated policy.

We will verify all vendors through SAM.gov to ensure they are not suspended and debarred and eligible for federal awards, and/or any future contracts involving federal funds will include a clause by which the vendor will certify that it has not been debarred or suspended.

The anticipated completion date is 10/31/2022.

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/>.