

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

MIAMI COUNTY, INDIANA

January 1, 2021 to December 31, 2021



FILED
09/14/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Mary Brown	01-01-21 to 12-31-22
County Treasurer	Annette Phillippo	01-01-21 to 12-31-22
Clerk of the Circuit Court	Sherry Raber	01-01-21 to 12-31-22
County Sheriff	Timothy S. Hunter	01-01-21 to 12-31-22
County Recorder	Paul Wilson	01-01-21 to 12-31-22
President of the Board of County Commissioners	Alan Hunt	01-01-21 to 12-31-22
President of the County Council	Ralph Duckwall	01-01-21 to 12-31-22



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF MIAMI 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 Miami 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 24, 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, 2021-003, and 2021-004, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001, 2021-002, 2021-003, and 2021-004.

Miami 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 24, 2022



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

TO: THE OFFICIALS OF MIAMI COUNTY, INDIANA

Report on Compliance for the Major Federal Program

Qualified Opinion

We have audited Miami County's (County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2021. The County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

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 Opinion* 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.

Basis for Qualified Opinion

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 THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

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 number 2021-005 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance. Compliance with such requirements 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 THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 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 THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

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

We have audited the financial statement of the County, as of and for the year ended December 31, 2021, and the related notes to the financial statement. We issued our report thereon dated August 24, 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 24, 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.

MIAMI 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 Housing and Urban Development</u>					
COVID-19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii COVID OCRA Grant	Indiana Office of Community and Rural Affairs	14.228	B-20-DW-18-0001	\$ -	\$ 20,250
Total - Department of Housing and Urban Development				-	20,250
<u>Department of the Interior</u>					
Payments in Lieu of Taxes Payment in Lieu of Taxes	Direct Grant	15.226	FY 2021	-	4,618
Total - Department of the Interior				-	4,618
<u>Department of Justice</u>					
COVID-19 - Coronavirus Emergency Supplemental Funding Program CESF	Indiana Criminal Justice Institute	16.034	2020-VD-BX-0244	-	66,344
Crime Victim Assistance Victim Advocate	Indiana Criminal Justice Institute	16.575	2018-V2-GX-0031	-	39,486
Drug Court Discretionary Grant Program Drug Court Grant	Direct Grant	16.585	20018-DC-BX-0055	-	2,678
Total - Department of Justice				-	108,508
<u>Department of Transportation</u>					
Formula Grants for Rural Areas and Tribal Transit Program YMCA Rural Transit	Indiana Department of Transportation	20.509	EDS A249-20-G190101	305,962	305,962
Highway Planning and Construction Cluster Highway Planning and Construction Bridge Inspection Report Bridge Inspection Report	Indiana Department of Transportation	20.205	DES 1802959 DES 1902068	- -	17,160 104,922
Total - Highway Planning and Construction				-	122,082
Total - Highway Planning and Construction Cluster				-	122,082
Highway Safety Cluster State and Community Highway Safety Operation Pullover Operation Pullover	Indiana Criminal Justice Institute	20.600	CHIRP-2021-00013-FR4 SAVE-2021-00016-FR1	- -	3,209 2,692
Total - State and Community Highway Safety				-	5,901
Total - Highway Safety Cluster				-	5,901
Total - Department of Transportation				305,962	433,945
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds American Rescue Plan Grant	Direct Grant	21.027	FY 2021	-	1,409,017
Total - Department of the Treasury				-	1,409,017

MIAMI 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 Health and Human Services</u>					
COVID-19 - Immunization Cooperative Agreements	Indiana State Department of Health	93.268			
Moderna Clinic			Contract 52837	-	10,818
COVID Testing Site Grant #2			Contract 45990	-	13,512
Total - COVID-19 Immunization Cooperative Agreements				-	24,330
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Indiana State Department of Health	93.323			
COVID Testing Site Grant #1			Contract 45990	-	26,808
COVID Testing Site Grant #2			Contract 55319	-	26,992
Total - COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)				-	53,800
Child Support Enforcement	Indiana Department of Child Services	93.563			
CY 2020 Clerk Perpetuation			FY 2021	-	2,265
CY 2020 Prosecutor Share			FY 2021	-	370
CY 2021 Clerk Incentive			FY 2021	-	10,978
CY 2020 Title IV-D Incentive			FY 2021	-	10,065
CY 2020 Prosecutor Incentive			FY 2021	-	12,611
CY 2021 Clerk			FY 2021	-	21,827
CY 2021 Indirect Costs			FY 2021	-	59,836
CY 2021 Prosecutor F			FY 2021	-	167,143
Total - Child Support Enforcement				-	285,095
Opioid STR	Indiana Supreme Court	93.788			
SIM Opioid Grant			20-5JC89-C52-026	-	35,846
Total - Department of Health and Human Services				-	399,071
<u>Department of Homeland Security</u>					
Emergency Management Performance Grants	Indiana Department of Transportation	97.042			
2019 EMPG Grant			EMC-2019-EPE-00003-S01 FY 2019	-	28,972
2020 EMPG Grant			EMC-2020-EP-00001-S01 FY 2020	-	29,282
Total - Emergency Management Performance Grants				-	58,254
Total - Department of Homeland Security				-	58,254
Total federal awards expended				\$ 305,962	\$ 2,433,663

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

MIAMI 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.

MIAMI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	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 Program and type of auditor's report issued on compliance for it:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
21.027	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
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Section II - Financial Statement Findings

FINDING 2021-001

Subject: Financial Transactions and Reporting - Clerk of the Circuit Court
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

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

MIAMI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

The Clerk of the Circuit Court (Clerk) did not have a proper system of internal control in place over cash and investment reconciliations and financial reporting. The Clerk did not have internal controls in place to ensure that all cash and investments were properly reconciled to the bank accounts. The "Old" trust bank account was not reconciled during the audit period. Additionally, the Clerk did not have internal controls in place to ensure cash and investments were properly reported in the County's Annual Financial 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. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Cause

Management of the Clerk's office had not established a proper system of internal control to ensure that cash and investments were reconciled and properly reported in the Annual Financial Report.

Effect

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

MIAMI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

Repeat Finding

This is a repeat finding regarding Cash and Investments from the immediately prior audit report. The prior audit finding number was 2020-002.

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 over cash and investments and financial reporting.

Cash and Investments

The County Treasurer completed all bank reconciliations; however, the internal controls in place did not ensure that financial ledgers were properly reconciled to the bank accounts. The Treasurer's bank reconciliation as of December 31, 2021, did not agree to the County's Annual Financial Report. The unidentified variance was cash short of \$307,994. However, in 2022, the County Treasurer identified posting errors in the amount of \$306,895 that were not included as reconciling items on the December 31, 2021 reconciliation.

Financial Reporting

The County Treasurer did not have adequate internal controls in place to ensure that the financial information provided to the County Auditor for the Treasurer Trust fund was accurate. Due to the lack of internal controls, the Treasurer's Trust fund receipts and ending cash and investments balance were overstated by \$14,275,785 in the financial statement. Adjustments were proposed, accepted by management, and made to the financial statement.

Criteria

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

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

MIAMI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited identity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Cause

Management of the County Treasurer's office had not established a proper system of internal control to ensure that cash and investments were properly reconciled, and financial reporting was accurate.

Effect

The failure to establish a system of internal control enabled material 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 2021-003

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 2020-003.

Condition and Context

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

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 controls were not effective and did not detect and allow correction of errors prior to submission.

MIAMI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

1. The COVID-19 - Coronavirus Relief Fund had no program expenditures during the audit period, but was included on the SEFA which overstated expenditures by \$40,580.
2. The COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) grant expenditures were overstated by \$46,200.
3. The COVID-19 - Immunization Cooperative Agreements grant expenditures were understated by \$13,512.
4. Several additional grants had individually immaterial errors that resulted in misstatements of expenditures of \$4,952, in total.
5. Other errors included incorrect program names, pass-through entities, Assistance Listings Numbers, 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 . . ."

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:

MIAMI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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."

Cause

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

MIAMI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

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

Views of Responsible Officials

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

FINDING 2021-004

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

Condition and Context

The County Auditor did not have a proper system of internal control in place over financial transactions and reporting to prevent, or detect and correct, errors.

The County Auditor did not have adequate controls in place to ensure that the information provided by the County Treasurer for the Treasurer Trust fund was accurate prior to submission of the Annual Financial Report. The financial statement receipts and ending cash and investments balance was overstated by \$14,275,785 for the Treasurer Trust fund.

Adjustments were proposed, accepted by management, and made to the financial statement.

Criteria

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

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

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

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

MIAMI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

Cause

The County Auditor had not established a proper system of internal control over financial reporting to ensure accuracy.

Effect

The failure to establish an effective system of internal control enabled material 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.

Section III - Federal Award Findings and Questioned Costs

FINDING 2021-005

Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance

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): FY 2021

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance

Audit Findings: Material Weakness, Modified Opinion

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 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance compliance requirements.

On November 17, 2015, the County agreed to pledge \$500,000 of CEDIT funds (\$100,000 over 5 years) to the YMCA for the purpose of creating a new facility. This funding was increased to \$1,500,000 (\$150,000 per year for 10 years) in 2018. Upon receipt of the COVID-19 - Coronavirus State and Local Fiscal Recovery Funds on May 24, 2021, the County elected to use \$1,200,000 (\$600,000 each year in 2021 and 2022) of the funding as a contribution to the YMCA facility, instead of using the CEDIT allocation as previously determined. No contracts or agreements were created to account for this modification.

MIAMI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The County incurred a financial obligation at the time of the pledge in 2015 which was modified in 2018. Therefore, the \$600,000 spent from the COVID-19 - Coronavirus State and Local Fiscal Recovery Funds on December 7, 2021, was for an obligation that was incurred prior to the program period of performance which began on March 3, 2021.

If the payment had been made in the appropriate performance period, the County would have been permitted to use the funding under the Lost Revenue Category for any service traditionally provided by a government or as a subaward to carry out a program/project on behalf of the County. The payment to the YMCA was not a government service of the County, nor was it a subaward to the YMCA to carry out a project.

If the payment had been incurred during the period of performance, it is possible the County could have made a payment to beneficiaries for the purpose of directly benefiting a nonprofit due to the negative economic impact of the pandemic. However, there was not a beneficiary relationship for the purpose of mitigating negative economic impacts in this instance.

As this payment does not adhere to any of the above, it was considered a donation to the YMCA, which is an unallowable activity. Additionally, the County lacked proper supporting documentation for the initial \$600,000 payment in 2021. The \$600,000 is considered questioned costs.

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 . . ."

MIAMI 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:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles. . . .

(g) be adequately documented. . . ."

2 CFR 200.434(a) states: "Costs of contributions and donations, including cash, property, and services, from the non-Federal entity to other entities, are unallowable."

31 CFR 35.5(a) states:

"In general. A recipient may only use funds to cover costs incurred during the period beginning March 3, 2021, and ending December 31, 2024, for one or more of the purposes enumerated in sections 602(c)(1) and 603(c)(1) of the Social Security Act, as applicable, including those enumerated in § 35.6, subject to the restrictions set forth in sections 602(c)(2) and 603(c)(2) of the Social Security Act, as applicable."

2 CFR 200.1 states in part: ". . . *Financial obligations*, when referencing a recipient's or subrecipient's use of funds under a Federal award, means orders placed for property and services, contracts and subawards made, and similar transactions that require payment. . . ."

31 CFR 35.3 states in part: ". . . *Obligation* means an order placed for property and services and entering into contracts, subawards, and similar transactions that require payment. . . ."

Cause

Management did not develop a system of internal controls that would have ensured compliance with the requirements listed above.

Effect

The failure to establish an effective internal control system enabled material noncompliance with the grant agreement and the compliance requirements listed above.

Questioned Costs

Questioned costs in the amount of \$600,000 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, Allowable Costs/Cost Principles, and Period of Performance compliance requirements.

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.



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Miami County Clerk

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Peru, IN 46970

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-001

Fiscal year in which the finding initially occurred: 2019

Status of Audit Finding: Ongoing

Cash and Investments: We are working to develop an internal control in place over the bank reconcilements to ensure that they are accurate, complete, and uploaded timely to Gateway.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-002

Fiscal year in which the finding initially occurred: 2020

Status of Audit Finding: Ongoing

We are working to develop an internal control and correct bank reconciliation and funds ledger discrepancies in a timely manner, and upload into Gateway within the correct time period.

Sincerely,

Annette Phillippo
Miami County Treasurer



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-003

Fiscal year in which the finding initially occurred: 2019

Status of Audit Finding: Ongoing

We are working on implementing a new verification payment system where departments review their portion of the SEFA for a cross check to the reporting.

We continue to do additional tracking throughout the year to ensure we have captured all the data required to report on the SEFA.

Currently, we are working on having an internal control in place for verifying the SEFA information. We will continue to seek additional education for entering, reviewing the SEFA to ensure the data is correct, and internal control is effective.



State of Indiana

51st Judicial Circuit

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Miami County Clerk
tleffel@miamicountyin.gov

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CORRECTIVE ACTION PLAN

FINDING 2021-001

Contact Person Responsible for Corrective Action: Sherry Raber, CLERK
Contact Phone Number: 765-472-3901 Ext. 1358

Views of Responsible Official: I am in agreement with this finding.

This is a prior finding from previous year, number 2020-002.

The Clerk has implemented specific duties and a system of checks and balances. Prior the same employee would check multiple stages of bank reconciliation and funds received and disbursed. That process has been revised and 2 different employees review funds received and disbursed and both initial these reports to verify they have been seen by 2 sets of eyes.

ISETS bank statements were not uploaded to the Gateway website due to information not being relayed that ISETS needed uploaded along with the trust account.

Anticipated Completion date: August 1, 2022



CORRECTIVE ACTION PLAN

FINDING 2021-002

Contact Person Responsible for Corrective Action: Annette Phillippo
Contact Phone Number: 765-472-3901 ext 1227

Views of Responsible Official: Agree with Finding.

Description of Corrective Action Plan:

Cash and Investment Corrections:

Chief Deputy will be balancing the funds with the auditors on a daily and document any differences.
Treasurer will verify monthly and financial system is locked down timely.

Financial closing and reporting correction:

Chief Deputy to check CAR-1 report before submission to Auditor.

Anticipated Completion Date: Jan 2023

Annette Phillippo
Miami County Treasurer



FINDING 2021-003

Contact Person Responsible for Corrective Action: Mary Brown
Contact Phone Number: 765-472-3901 Ext. 1240

Views of Responsible Official: We concur with the 2021 audit findings.

Description of Corrective Action Plan:

We implemented a new verification system and continue to review the SEFA for a cross check to the reporting.

We currently track all grants throughout the year to ensure we have captured all the data required to report on the SEFA.

We continue to have an internal control in place for verifying the SEFA information and will continue doing additional education for staff reviewing the SEFA to ensure the control is effective.

Anticipated Completion Date:
January 2023



FINDING 2021-004

Contact Person Responsible for Corrective Action: Mary Brown
Contact Phone Number: 765-472-3901 Ext. 1240

Views of Responsible Official: We concur with the 2021 audit findings.

Description of Corrective Action Plan:

Currently, the Auditor verifies the beginning balance of reporting year to ending balance of prior reporting year. We will request a copy of the December 31st Cash Book Statement to verify the balances as a double check prior to accepting the final CAR report from the Treasurer.

Anticipated Completion Date:
January 2023



FINDING 2021-005

Contact Person Responsible for Corrective Action: Mary Brown
Contact Phone Number: 765-472-3901 Ext. 1240

Views of Responsible Official: We concur with the 2021 audit findings.

Description of Corrective Action Plan:

Auditor will ensure an agreement is on file for any funds distributed to entities outside of the county. The Auditor will not release the funds for 2022 from ARP Funds, but will instead pay from CEDIT as originally approved by the Miami County Council in 2015.

The county will ensure that agreements are executed prior to distributing funds to entities outside of the county.

Anticipated Completion Date:
January 2023

OTHER REPORTS

In addition to this report, other reports may have been issued for the County. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.