

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

MONTGOMERY COUNTY, INDIANA

January 1, 2021 to December 31, 2021



**FILED**

09/30/2022



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Jennifer Andel	01-01-21 to 12-31-22
County Treasurer	Heather Laffoon	01-01-21 to 12-31-22
Clerk of the Circuit Court	Karyn Douglas	01-01-21 to 12-31-22
County Sheriff	Ryan Needham	01-01-21 to 12-31-22
County Recorder	Jennifer Pursell	01-01-21 to 12-31-22
President of the Board of County Commissioners	John Frey	01-01-21 to 12-31-22
President of the County Council	Tom Mellish	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 MONTGOMERY 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 Montgomery 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 September 27, 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.

***Montgomery 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

September 27, 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 MONTGOMERY COUNTY, INDIANA

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

***Qualified and Unmodified Opinions***

We have audited Montgomery 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 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 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 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)

***Matter Giving Rise to Qualified Opinion on 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 Coronavirus State and Local Fiscal Recovery Funds as described in finding number 2021-003 for 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**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2021-002. Our opinion for this major federal program is not modified with respect to this matter.

*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 and significant deficiencies.

We consider the deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2021-003, to be 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. We consider the deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2021-002, to be a significant deficiency.

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 September 27, 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

September 27, 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.

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Justice</u>					
COVID-19 - CORONAVIRUS EMERGENCY SUPPLEMENTAL FUNDING PROGRAM COVID-19 - ICJI CEFS GRANT	INDINANA CRIMINAL JUSTICE INSTITUTE	16.034	GA_CESF_2020_00041	\$ 8,604	\$ 84,415
BULLETPROOF VEST PARTNERSHIP PROGRAM BULLETPROOF VEST GRANT	DIRECT GRANT	16.607	FY 2021	-	4,500
Total - Department of Justice				8,604	88,915
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster HIGHWAY PLANNING AND CONSTRUCTION COUNTYWIDE BRIDGE INSPECTION AND INVENTORY PROGRAM 2018-2021	INDIANA DEPT OF TRANSPORTATION	20.205	800150024200LC1	-	24,348
Total - Highway Planning and Construction Cluster				-	24,348
Total - Department of Transportation				-	24,348
<u>Department of the Treasury</u>					
COVID-19 - CORONAVIRUS RELIEF FUND COVID-19 - CARES ACT GRANT CARES SAFETY AWARENESS	INDIANA FINANCE AUTHORITY	21.019	FY2020 FY2021	- -	1,148,749 124,409
COVID-19 - CORONAVIRUS RELIEF FUND COVID-19 - CARES ACT GRANT	INDIANA STATE DEPARTMENT OF HEALTH	21.019	FY2021	-	33,531
Total - COVID-19 - Coronavirus Relief Fund				-	1,306,689
COVID-19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS ARPA CSLFRF GRANT	DIRECT GRANT	21.027	SLFRP0752	-	3,700,000
Total - Department of the Treasury				-	5,006,689
<u>Election Assistance Commission</u>					
COVID-19 - 2020 HAVA CARES ACT GRANT 2020 SOS CARES ACT GRANT	INDIANA SECRETARY OF STATE	90.404	FY 2021	-	2,415
Total - Election Assistance Commission				-	2,415
<u>Department of Health and Human Services</u>					
IMMUNIZATIONS COOPERATIVE AGREEMENTS COMMUNITY VACCINE GRANT	INDIANA STATE DEPARTMENT OF HEALTH	93.268	6 NH23IP922631-02-03	-	2,580

MONTGOMERY 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
CHILD SUPPORT ENFORCEMENT	INDIANA DEPARTMENT OF CHILD SERVICES	93.563			
CLERK GEN IV D REIMB			502IVD66CNTYF20	-	21,418
PROSECUTOR IVD GEN REIMB			502IVD66CNTYF20	-	254,511
INDIRECT COSTS REIMBURSEMENT IVD			502IVD66CNTYF20	-	77,804
CLERK GEN IV D INCENTIVE			FY2020	-	17,155
TITLE IV INCENTIVE			FY2020	-	17,155
PROSECUTOR IV D INCENTIVE			FY2020	-	25,814
Total - CHILD SUPPORT ENFORCEMENT				-	413,857
OPIOID STR	INDIANA SUPREME COURT	93.788			
FY20 SIM GRANT			21-5JC89-C54-001	-	60,254
FY22 SIM GRANT			22-5JC89-C54-001	-	10,890
Total - Opioid STR				-	71,144
Total - Department of Health and Human Services				-	487,581
<u>Department of Homeland Security</u>					
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	INDIANA DEPARTMENT OF HOMELAND SECURITY	97.042			
FY19 EMPG CERT GRANT			EMC-2019-EP-0003	-	3,095
FY19 EMPG NEMA GRANT			EMC-2019-EP-0003	-	240
EMERGENCY MGMT PERFORMANCE GRANT			FR-2019EMPGS-00370	-	57,920
Total - Emergency Management Performance Grants				-	61,255
HOMELAND SECURITY GRANT PROGRAM	INDIANA DEPARTMENT OF HOMELAND SECURITY	97.067			
2019-2022 SHSP ACTIVE SHOOTER GRANT			EMW-2019-SS-00013	-	53,350
PUBLIC WARNING AND INFORMATION			FY 2021	-	14,096
Total - Homeland Security Grant Program				-	67,446
Total - Department of Homeland Security				-	128,701
Total federal awards expended				<u>\$ 8,604</u>	<u>\$ 5,738,649</u>

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

MONTGOMERY 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.

MONTGOMERY 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?	yes
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	COVID-19 - Coronavirus Relief Fund	Unmodified
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

**Section II - Financial Statement Findings**

**FINDING 2021-001**

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

*Condition and Context*

The County had not established adequate internal controls over the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report (AFR) and the financial statement.

Due to the lack of effective internal controls, errors were identified in the transactions and cash balances reported for the building corporation. The errors overstated receipts, disbursements and ending cash balance by \$5,681,295, \$174,858, and \$5,506,437, respectively, for the building corporation.

MONTGOMERY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

*Criteria*

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

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

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

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

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

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

*Cause*

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

*Effect*

Without a proper system of internal control in place, material misstatements of the financial statement remained undetected. The financial statement included the errors identified in the *Condition and Context*.

*Views of Responsible Officials*

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

MONTGOMERY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

**FINDING 2021-002**

Subject: COVID-19 - Coronavirus Relief Fund - Period of Performance  
Federal Agency: Department of the Treasury  
Federal Program: COVID-19 - Coronavirus Relief Fund  
Assistance Listings Number: 21.019  
Federal Award Number and Year (or Other Identifying Number): FY2021  
Pass-Through Entity: Indiana State Department of Health  
Compliance Requirement: Period of Performance  
Audit Findings: Significant Deficiency, Other Matters

*Condition and Context*

An effective internal control system, which would include segregation of duties, was not in place at the County to ensure compliance with requirements related to the grant agreement and the Period of Performance compliance requirement.

The County received a Coronavirus Relief Fund (Fund) grant through the Indiana State Department of Health to support COVID-19 testing at the local health department clinic. The CARES Act provides that payments from the Fund may only be used to cover costs that were incurred during the period that began March 1, 2020, and ended December 31, 2021 (covered period). In addition, a grant provided from the Fund must be used only to purchase (or reimburse a purchase of) goods or services for which receipt both is needed within the covered period and occurs within the covered period.

During 2022, three expenditures were charged to the grant for services that occurred outside the covered period. Furthermore, as of August 31, 2022, the grant had remaining funds not yet expended.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

42 USC 801(d) states in part:

". . . unit of local government shall use the funds provided under a payment made under this section to cover only those costs of the State, Tribal government, or unit of local government that— . . .

(3) were incurred during the period that begins March 1, 2020 and ends on December 31, 2021."

MONTGOMERY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

Management did not have an effective system of internal control in place to ensure compliance with the grant agreement and the Period of Performance compliance requirement.

*Effect*

The failure to establish an effective internal control system allowed noncompliance with the grant agreement and the Period of Performance compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the County's management establish a system of internal control to ensure compliance and to comply with the grant agreement and the Period of Performance compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2021-003**

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 Fiscal Recovery Funds  
Assistance Listings Number: 21.027  
Federal Award Number and Year (or Other Identifying Number): SLFRP0752  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Qualified Opinion

*Condition and Context*

The County had not designed nor implemented an effective internal control system over suspension and debarment procedures to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The County did not have procedures in place to verify vendors were not suspended, debarred, or otherwise excluded from or ineligible for participation in federal assistance programs or activities. The County did not ensure the one vendor contract entered into during the audit period contained a suspension and debarment clause or included a certification from the vendor, nor did the County check the EPLS.

The lack of internal controls and noncompliance were isolated to the one contract.

MONTGOMERY 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 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 did not have an effective system of internal control in place to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Effect*

The failure to establish an effective system of internal control allowed noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

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



**Jennifer Andel**  
**Montgomery County Auditor**

1580 Constitution Row, Suite A

Crawfordsville, Indiana 47933

Phone: 765-364-6400

Fax: 765-364-6404

Email: [auditor@montgomerycounty.in.gov](mailto:auditor@montgomerycounty.in.gov)

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September 30, 2022

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2020-001**

Fiscal year in which the finding initially occurred: 2020

Status of Audit Finding: While a formalized grant policy has not yet been ratified by the county executives, one is being considered. Some additional control steps have been taken internally to the Auditor's Office's processes. Additionally, all have worked towards increased communications to and from Department Heads who are responsible for applying for and documenting their grants. The Auditor's staff is copied on more of the reports to the pass-through agencies and requests for reimbursement than they were before. The idea of having Department Heads approve or disapprove their SEFA information was deemed as not altogether helpful, as there are widely varying degrees of direct involvement and understanding among them, on the whole.



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CORRECTIVE ACTION PLAN

**FINDING 2021-001** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Jennifer Andel

Contact Phone Number: 765-364-6403

Views of Responsible Official: We concur with the finding – the Building Corporation’s funds should not have been represented on the AFR.

Description of Corrective Action Plan: We remove those funds from the reports going forward and only display the debt service information spent by the County.

Anticipated Completion Date: 12/31/2022

**FINDING 2021-002** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Jennifer Andel

Contact Phone Number: 765-364-6403

Views of Responsible Official: We concur with the finding – there are unspent monies in this fund.

Description of Corrective Action Plan: We will work with the Health Department to make sure all is claimed out of this fund as soon as possible.

Anticipated Completion Date: 12/31/2022

**FINDING 2021-003** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Jennifer Andel

Contact Phone Number: 765-364-6403

Views of Responsible Official: We concur with the finding – I do not have documentation that verifies that vendors using SLFR funds were not suspended, debarred or otherwise excluded or ineligible from federal programs.

Description of Corrective Action Plan: We will work with attorneys and vendors to gather that information.

Anticipated Completion Date: 12/31/2023

## 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/>.