

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

STARKE COUNTY, INDIANA

January 1, 2021 to December 31, 2021



FILED

12/20/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Rachel Oesterreich	01-01-21 to 12-31-22
County Treasurer	Lauri Venckus	01-01-21 to 12-31-22
Clerk of the Circuit Court	Bernadette Manuel	01-01-21 to 12-31-22
County Sheriff	William Dulin	01-01-21 to 12-31-22
County Recorder	Mandy Thomason	01-01-21 to 12-31-22
President of the Board of County Commissioners	Charlie Chesak	01-01-21 to 12-31-22
President of the County Council	Dave Pearman	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 STARKE 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 Starke 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 November 28, 2022, wherein we noted the County followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001, 2021-002, and 2021-003, that we consider to be material weaknesses.

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

Report on Compliance and Other Matters

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

Starke 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

November 28, 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 STARKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Starke County 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 WIC Special Supplemental Nutrition Program for Women, Infants, and Children

In our opinion, except for the possible effects of the matter 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 WIC Special Supplemental Nutrition Program for Women, Infants, and Children for the year ended December 31, 2021.

Qualified Opinion on Highway Planning and Construction Cluster

In our opinion, except for the possible effects of the matter 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 Highway Planning and Construction Cluster 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.

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)

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.

Matter Giving Rise to Qualified Opinion on WIC Special Supplemental Nutrition Program for Women, Infants, and Children

As described in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the County with WIC Special Supplemental Nutrition Program for Women, Infants, and Children as described in finding number 2021-004 for Eligibility. Consequently, we were unable to determine whether the County complied with those requirements applicable to that program.

Matter Giving Rise to Qualified Opinion on Highway Planning and Construction Cluster

As described in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the County with Highway Planning and Construction Cluster as described in item 2021-005 for Procurement and Suspension and Debarment. Consequently, we were unable to determine whether the County complied with those 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.

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)

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

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

Other Matters

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 2021-004 and 2021-005, to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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)

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.

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 November 28, 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

November 28, 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.

STARKE 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>					
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	Indiana State Department of Health	10.557			
9500 WIC 2020			174-3: WIC330	\$ -	\$ 9,686
9505 WIC Breastfeeding 2020			174-3: WIC330	-	50
9600 WIC 2021			174-3: WIC330	-	95,792
9605 WIC Breastfeeding 2021			174-3: WIC330	-	6,033
				-	-
Total - WIC Special Supplemental Nutrition Program for Women, Infants, and Children				-	111,561
				-	-
Total - Department of Agriculture				-	111,561
<u>Department of Housing and Urban Development</u>					
COVID-19 - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs	14.228			
9178/9179 Small Business Grant and Food Voucher Program			CV-CV3-369	100,000	250,000
				-	-
Total - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii				100,000	250,000
				-	-
Total - Department of Housing and Urban Development				100,000	250,000
<u>Department of Justice</u>					
Crime Victim Assistance	Indiana Criminal Justice Institute	16.575			
Starke County Victim Rights Coordinator			VOCA-2020-00188	-	25,903
				-	-
Total - Department of Justice				-	25,903
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205	FY 2021	-	38,467
				-	-
Total - Highway Planning and Construction Cluster				-	38,467
				-	-
Highway Safety Cluster					
State and Community Highway Safety	City of Mishawaka	20.600	FY 2021	-	1,472
				-	-
Total - Highway Safety Cluster				-	1,472
				-	-
Total - Department of Transportation				-	39,939
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus Relief Fund CARES Act	Indiana Finance Authority	21.019			
			FY 2020	-	69,160
				-	-

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) 8950 ARP American Rescue Plan Act	Direct	21.027	FY2021	-	50,832
Total - Department of the Treasury				-	119,992
<u>Election Assistance Commission</u>					
COVID-19 - 2020 HAVA Election Security Grants 1000 COVID HAVA	Indiana Secretary of State	90.404	IN20101CARES	-	10,117
Total - Election Assistance Commission				-	10,117
<u>Department of Health and Human Services</u>					
COVID-19 - Immunization Cooperative Agreements 9174 COVID Health	Indiana Department of Child Services	93.268	NH23IP922631/NU50CK000503	-	3,085
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) 9174 COVID Health	Indiana Department of Child Services	93.323	NH23IP922631/NU50CK000503	-	14,819
Child Support Enforcement Title IVD incentive Expenditures - Incentive Title IV-D Clerk Expenditures -Incentive Title IVD Prosecutor Expenditures - Incentives IV-D Reimbursement General Fund = 1000/4907	Indiana Department of Child Services	93.563	FY 2021 FY 2021 FY 2021 FY2021	- - - -	10,047 4,114 20,105 140,762
Total - Child Support Enforcement				-	175,028
Opioid STR SIM Opioid	Indiana State Department of Health	93.788	21-5J89-C75-001	-	36,767
Total - Department of Health and Human Services				-	229,699
<u>Department of Homeland Security</u>					
Emergency Management Performance Grants Salary Reimbursement	Indiana Department of Homeland Security	97.042	EMC-2019-EP-00003-S01	-	34,554
Homeland Security Grant Program Homeland Security Radio	Indiana Department of Homeland Security	97.067	EMW-2020-SS-00009-S01	-	91,881
Total - Department of Homeland Security				-	126,435
Total federal awards expended				\$ 100,000	\$ 913,646

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

STARKE 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.

STARKE 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
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	Qualified
14.228	COVID-19 - Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii Highway Planning and Construction Cluster	Unmodified 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

Repeat Finding

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

STARKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

There were several deficiencies in the internal control system of the County Treasurer related to financial transactions and reporting. There was a lack of segregation of duties as the County Treasurer had not separated incompatible activities related to cash and investments, receipts, and financial reporting. There were no documented internal controls to ensure the accuracy and timeliness of the recordkeeping and reporting functions.

Cash and Investments

The County Treasurer performed the monthly reconciliations of the accounting records balance to the bank depository balances without an oversight or review process in place to ensure their accuracy and timeliness. As of December 31, 2021, the adjusted bank balance was \$136,104 greater than the funds ledger balance. The financial statement was not adjusted for these variances.

Receipts

The County Treasurer stated that a process of review and oversight over receipts to ensure the accuracy, completeness, timeliness, and classification of the receipts posted had been designed. However, implementation of the process could not be verified.

Financial Reporting

The County Treasurer failed to design a process to ensure the Treasurer fund was properly reported in the County's financial statement. The County Treasurer failed to prepare and submit a Supplemental Annual Report (SAR) to the County Auditor. This information was required to be submitted as part of the County's Annual Financial Report into the Indiana Gateway for Government Units financial reporting system, which was the source of the County's financial statement.

The County Auditor obtained the after settlement collections amount from the Treasurer's bank reconciliation, and reported it as the Treasurer fund's receipts and ending cash and investments balance in the financial statement due to the County Treasurer not submitting the SAR.

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. . . .

STARKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

Effect

The failure to establish an effective system of internal controls over cash and investments could have enabled material misstatements or irregularities to remain undetected. The failure to establish a system of internal controls over receipts could have enabled material misstatements or irregularities to remain undetected. The failure to establish a system of internal controls over reporting enabled material noncompliance to remain undetected as it is the County Treasurer's responsibility to submit the SAR as explained in the *Condition and Context*.

Views of Responsible Officials

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

FINDING 2021-002

Subject: Financial Reporting
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2020-003.

Condition and Context

There were deficiencies in the internal control system of the Clerk of the Circuit Court's (Clerk) office related to financial reporting.

STARKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The Clerk did not have an effective internal control system over financial reporting to ensure the preparation of accurate and complete financial reports for inclusion in the County's Annual Financial Report and financial statement. The Supplemental Annual Report information submitted to the County Auditor for inclusion in the County's financial statement overstated the Clerk ISETS fund beginning cash and investments balance by \$70,648, receipts by \$72,269, and ending cash and investments balance by \$142,917.

Audit 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 an effective system of internal control over financial reporting.

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.

STARKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 2020-005.

Condition and Context

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

The County failed to properly review the federal grant information prepared and submitted in Gateway. Although one employee prepared and entered the federal award information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

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

1. The COVID-19 - Coronavirus Relief Fund expenditures were omitted, which understated expenditures by \$69,160.
2. Several additional grants were incorrectly reported which resulted in the misstatement of expenditures by \$6,196, in total.
3. 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. . . .

STARKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.1 states in part:

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

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

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (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.

STARKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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 an effective 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 2021-004

Subject: WIC Special Supplemental Nutrition Program for Women, Infants, and Children
Federal Agency: Department of Agriculture
Federal Program: WIC Special Supplemental Nutrition Program for Women, Infants, and Children
Assistance Listings Number: 10.557
Federal Award Number and Year (or Other Identifying Number): 174-3: WIC330
Pass-Through Entity: Indiana State Department of Health
Compliance Requirement: Eligibility
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 Eligibility compliance requirement.

The County had not designed or implemented a system of internal control to ensure that income guidelines entered into the MIS System were accurate or that applicants were accurately determined to be eligible or ineligible for benefits.

Additionally, the County did not retain any applicant supporting documentation to verify that the applicants were accurately determined to be eligible or ineligible for benefits through the WIC program.

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

STARKE 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). . . ."

2 CFR 200.334 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. Federal awarding agencies and pass-through entities must not impose any other record retention requirements upon non-Federal entities. . . ."

7 CFR 246.7(f)(2)(ii) states:

"The processing timeframes shall begin when the individual visits the local agency during clinic office hours to make an oral or written request for Program benefits. To ensure that accurate records are kept of the date of such requests, the local agency shall, at the time of each request, record the applicant's name, address and the date. The remainder of the information necessary to determine eligibility shall be obtained by the time of certification. Medical data taken prior to certification may be used as provided in paragraph (g)(4) of this section."

Cause

Management had not developed a system of internal control that would have ensured compliance or that supporting documentation would have been maintained and made available for audit related to the Eligibility compliance requirement.

Effect

The failure to establish an effective system of internal control and retain appropriate supporting documentation prevented the determination of the County's compliance with the Eligibility compliance requirement.

Questioned Costs

There were no questioned costs identified.

STARKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the County's management establish a system of internal control to ensure that documentation will be maintained and made available for audit and comply with the grant agreement and the Eligibility compliance requirement.

Views of Responsible Officials

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

FINDING 2021-005

Subject: Highway Planning and Construction Cluster - Procurement
Federal Agency: Department of Transportation
Federal Program: Highway Planning and Construction
Assistance Listings Number: 20.205
Federal Award Number and Year (or Other Identifying Number): DES # 1592155
Pass-Through Entity: Indiana Department of Transportation
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

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

The County did not retain all documentation provided to the Indiana Department of Transportation (INDOT) for the procurement of projects.

The County was unable to provide four out of the six letters of interest that were reported in the LPA Selection Review Checklist for DES #1592155.

The lack of internal controls and noncompliance were isolated to the DES #1592155 LPA Selection Review Checklist.

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). . . ."

STARKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.318(i) states:

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

Cause

Management had not developed a system of internal control that would have ensured compliance or that supporting documentation would have been maintained and made available for audit related to the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective system of internal control and retain appropriate supporting documentation prevented the determination of the County's compliance with the procurement requirements of 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 an effective system of internal control to ensure that documentation will be maintained and made available for audit and comply with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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



STARKE COUNTY,
INDIANA

**STARKE COUNTY AUDITOR
RACHEL OESTERREICH
53 EAST MOUND STREET
KNOX, IN 46534
(574) 772-9101**

August 23, 2022

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2020-001 Payroll Disbursements and Financial Reporting

Fiscal Year in which the finding initially occurred: 2020

Status of Finding: Corrected

Payroll Disbursements: The Starke County Auditor and the Payroll Deputy have discussed with the software company how 1176 and 1173 disbursements can be recorded and verified with the payroll voucher that is turned in by the Highway Department. The adjustment that is made for 1176 and 1173 must equal what is displayed on the 1173 voucher itself. The County Auditor makes the adjustment from 1176 to 1173, and the Highway Office Manager reviews the adjustment to ensure accuracy.

Financial Reporting: The Starke County Auditor will verify with the following departments: Starke County Sheriff, Starke County Clerk, and Starke County Treasurer that more than one employee within their department review the SCAR prior to submitting the document to the Auditor's Office. When that document is submitted, more than one employee within the Auditor's Office reviews the information prior to submitting the information on the AFR.

Sincerely,

Rachel Oesterreich
Starke County Auditor



STARKE COUNTY,
INDIANA

**STARKE COUNTY TREASURER
LAURI VENCKUS
53 EAST MOUND STREET
KNOX, IN 46534
(574) 772-9101**

September 14, 2022

Finding 2020-002: Financial Transactions and Reporting

Fiscal Year in which the finding initially occurred: 2020

Status of Finding: In Progress

Cash and Investments: An internal control procedure will be implemented beginning in 2023.

Receipts: The Deputy Treasurer and the County Treasurer both are involved in the receipting process. When one does the daily work, the other will review and verify it. Beginning in 2023, the reviewer will sign off indicating their review.

Financial Reporting: An internal control procedure will be implemented beginning with the 2022 Annual Financial Report.

Sincerely,

Lauri Venckus
Starke County Auditor



Starke County Clerk's Office

Bernadette Manuel, Clerk

53 East Washington Street, PO Box 395, Knox, Indiana 46534

Phone: 574-772-9128

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2020-003 Financial Transactions and Reporting

Status of Finding: Partially Corrected

Cash and investments:

One employee (Bookkeeper) prepares the bank reconciliation and the Clerk signs during her review if Chief Deputy reviews the reconciliation she will use Clerk's stamp and initials behind stamp. The Clerk's Office updated the SOP's.

Receipts:

One employee performs the end of the day duties, including preparing deposits, and another employee signs off on the deposits as reviewed. The Clerk's office has updates the SOP's

Disbursements: One employee prepares the checks and another employee will review the check register to the checks.

The Clerk's office has updated the SOP's.

Financial Reporting:

The Clerk's office is still implementing controls over the Clerk's Supplemental Annual Financial Report (AFR). Will be corrected for the 2022 filing.

The Clerk's office has updated the SOP's.

Sincerely,

Bernadette Manuel
Starke County Clerk



STARKE COUNTY SHERIFF'S OFFICE

SHERIFF WILLIAM A. DULIN

TELEPHONE: (574)772-3771 5435 E STATE ROAD 8

FAX: (574)772-7641

KNOX, IN 46534

Summary Schedule for Prior Audit Findings

FINDING 2020-004

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance
Fiscal Year of occurrence: 2020
Status of Audit Finding: Corrected

Cash and Investments (Bank Reconcilements)

Bank reconcilements are completed by one employee and reviewed by another.

Receipts

Controls have been implemented. Bank reconcilements are completed by one employee and reviewed by another. Receipts are issued for the County Sheriff's Commissary. Deposits are prepared by one employee and reviewed by another. We have purchased a system that issues another receipt for the deposits to commissary to go along with the check stub, deposit ticket copy, and bank receipt.

Disbursements

Bank reconcilements, including listings of checks, are completed by one employee and reviewed by another.

Financial Reporting

One employee prepares the Supplemental County Annual Report (SCAR) and another employee reviews the report.

"LOYALTY AND PRIDE"



**STARKE COUNTY AUDITOR
RACHEL OESTERREICH
53 EAST MOUND STREET
KNOX, IN 46534
(574) 772-9101**

August 19, 2022

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2020-005 SEFA Finding

Fiscal Year in which the finding initially occurred: 2020

Status of Finding: In Progress

The Starke County Auditor and two of the Deputy Auditor's went through training regarding SEFA numbers and what grants are considered federal grants, state grants, etc. The County Auditor will prepare the SEFA, and the Deputy Auditor will review the SEFA, documenting her review. This will begin with the 2022 SEFA.

Sincerely,

Rachel Oesterreich
Starke County Auditor



**STARKE COUNTY TREASURER
LAURI VENCKUS
53 EAST MOUND STREET
KNOX, IN 46534
(574) 772-9111**

CORRECTIVE ACTION PLAN

FINDING 2021-001

Contact Person Responsible for Corrective Action: Lauri Venckus
Contact Phone Number: 574-772-9111

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan: I will better implement internal controls over cash, receipting and reporting.

Anticipated Completion Date: November 28, 2022



Starke County Clerk's Office

Bernadette Manuel, Clerk

53 East Washington Street, PO Box 395, Knox, Indiana 46534

Phone: 574-772-9128

CORRECTIVE ACTION PLAN

FINDING 2021-002

Contact Person Responsible for Corrective Action:

Bernadette Manuel Clerk of the Starke Circuit Court

Contact Phone Number:

574-772-9161

Views of Responsible Official:

The AFR was completed, but incorrectly. They totals were doubled on the report. All the information was there just doubled. The Auditors were able to figure out what we had done. The Clerk concurs with the finding that the form had incorrect numbers because of the totals were added together.

Description of Corrective Action Plan:

After talking with the auditors and my office staff we know completely understand how to do the report. For the 2022 audit it will be done correctly.

Anticipated Completion Date:

The correction will be completed for the 2022 audit.
To be completed and in place by 1/1/2023



**STARKE COUNTY AUDITOR
RACHEL OESTERREICH
53 EAST MOUND STREET
KNOX, IN 46534
(574) 772-9101**

CORRECTIVE ACTION PLAN

FINDING 2021-003 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Rachel Oesterreich
Contact Phone Number: 574-772-9105

Views of Responsible Official:

As the Auditor we already have a procedure in place where the Auditor enters and verifies information entered on the SEFA and the a Deputy, Auditor verifies what has been entered on the SEFA by the Auditor. However, the SEFA document is a complex document.

Description of Corrective Action Plan:

The Auditor needs to seek out education that both the Auditor and a couple Deputy, Auditors needs to go through regarding how information is entered on the SEFA, how to determine what grants are federal, how to determine what the correct program names are, pass-through entities, and identifying numbers. Education about the SEFA is the key to correctly entering information on the SEFA and this is what needs to be sought out.

Anticipated Completion Date: July 30, 2022

Rachel Oesterreich
Starke County Auditor



**STARKE COUNTY GOVERNMENT
53 EAST MOUND STREET
KNOX, IN 46534
(574) 772-9101**

CORRECTIVE ACTION PLAN

FINDING 2021-004 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Lisa Small, RN Coordinator Starke County WIC

Contact Phone Number: 574-772-2175

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Starke County WIC program will be working in conjunction with Indiana State WIC leaders/policy makers in regard to the findings of this audit. Starke County WIC program will forward the current audit findings for State WIC review and remain in compliance with any and all changes made to the current income eligibility guidelines and client eligibility.

Anticipated Completion Date: December 31, 2022

3835 E. 250 N.
Knox, IN 46534



Telephone: 574-772-3011
Fax: 574-772-3951

CORRECTIVE ACTION PLAN

FINDING 2021-005 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Amanda Fentess
Contact Phone Number: 574-772-3011

Views of Responsible Official:

As the current Office Manager, the findings that were presented were before my record keeping.

Description of Corrective Action Plan:

As the new Office Manager going forward I maintain all of the documentation and make sure it is all labeled in a folder with all supporting documents from start to finish.

Anticipated Completion Date: November 28, 2022

Amanda Fentess
Starke County Highway Department

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/>.