

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CASS COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED

06/09/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Cheryl Alcorn	01-01-22 to 12-31-23
County Treasurer	Cindy Howard Daphne Slusher	01-01-22 to 08-31-22 09-01-22 to 12-31-23
Clerk of the Circuit Court	Destry Richey	01-01-22 to 12-31-23
County Sheriff	Edward Schroder	01-01-22 to 12-31-23
County Recorder	Beth Liming	01-01-22 to 12-31-23
President of the Board of County Commissioners	Ryan Browning Ruth Baker	01-01-22 to 12-31-22 01-01-23 to 12-31-23
President of the County Council	Brian Reed Tracy Williamson	01-01-22 to 12-31-22 01-01-23 to 12-31-23



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 CASS 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 Cass County (County), for the year ended December 31, 2022, and the related notes to the financial statement, which collectively comprise the County's financial statement and have issued our report thereon dated May 23, 2023, 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, as described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002, 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 2022-001 and 2022-002.

Cass 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

May 23, 2023



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 CASS COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Cass 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, 2022. 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 Formula Grants for Rural Areas and Tribal Transit Program

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 Formula Grants for Rural Areas and Tribal Transit Program for the year ended December 31, 2022.

Unmodified Opinion on the Other Major Federal Program

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 its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2022.

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 Formula Grants for Rural Areas and Tribal Transit Program

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 20.509 Formula Grants for Rural Areas and Tribal Transit Program, as described in item 2022-003 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.
- 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 2022-004. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The County's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

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, as described in the accompanying Schedule of Findings and Questioned Costs as items 2022-003 and 2022-004, to be material weaknesses.

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

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

Government Auditing Standards require the auditor to perform limited procedures on the County's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

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

We have audited the financial statement of the County, as of and for the year ended December 31, 2022, and the related notes to the financial statement. We issued our report thereon dated May 23, 2023, 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

May 23, 2023

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.

CASS COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2022

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>					
Coronavirus Emergency Supplemental Funding Program COVID ICJI Pretrial	Indiana Criminal Justice Institute	16.034	2020-VD-BX-0244	\$ -	\$ 8,124
Crime Victim Assistance Victim Advocacy Grant	Indiana Criminal Justice Institute	16.575	I5POVC-21-GG-00625-ASSI	-	39,045
Violence Against Women Formula Grants STOP Grant	Indiana Criminal Justice Institute	16.588	STOP-2021-0046	-	7,093
Edward Byrne Memorial Justice Assistance Grant Program JAG Grant	Indiana Criminal Justice Institute	16.738	JAG-2021-00125-FR4	-	25,893
Total - Department of Justice				-	80,155
<u>Department of Transportation</u>					
Federal Transit Cluster					
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs Transit Authority - Buses	Indiana Department of Transportation	20.526	PO 0018811055	45,504	45,504
Total - Federal Transit Cluster				45,504	45,504
Highway Planning and Construction Cluster					
Highway Planning and Construction Bridge County Road 400 S Reconstruction Phase 4	Indiana Department of Transportation	20.205	DES 1592157 DES 1600928	-	4,018 114,743
Total - Highway Planning and Construction				-	118,761
Total - Highway Planning and Construction Cluster				-	118,761
Highway Safety Cluster					
State and Community Highway Safety CHIRP	Indiana Criminal Justice Institute	20.600	CHIRP-2022-00010	-	10,393
Total - Highway Safety Cluster				-	10,393
Formula Grants for Rural Areas and Tribal Transit Program Transit Authority	Indiana Department of Transportation	20.509	PO 0018811055	1,211,454	1,211,454
Total - Department of Transportation				1,256,958	1,386,112

CASS COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2022

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 the Treasury</u>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds American Rescue Plan COVID Grant	Direct Grant	21.027	FY 2022	-	2,212,743
Total - Department of the Treasury				-	2,212,743
<u>Department of Health and Human Services</u>					
Public Health Emergency Preparedness Public Health Coordinator Grant BPRS 108-75	Indiana State Department of Health	93.069	Vendor ID 54625	-	7,800
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) Infectious Disease Grant	Indiana State Department of Health	93.323	NU50CK000503	-	65,795
Child Support Enforcement Clerk Incentive Child Support	Indiana Department of Child Services	93.563	FY 2022	-	8,130
Indirect Costs			FY 2022	-	27,898
Prosecutor Expenditure Child Support			FY 2022	-	101,405
Clerk Expenditure Child Support			FY 2022	-	10,564
Prosecutor Incentive Post			FY 2022	-	13,520
Title IVD Incentive			FY 2022	-	36,689
Total - Child Support Enforcement				-	198,206
Foster Care Title IV-E Title IV-E Foster Care	Indiana Public Defender Commission	93.658	20220030	-	4,322
Total - Department of Health and Human Services				-	276,123
<u>Department of Homeland Security</u>					
Emergency Management Performance Grants EMPG 2020 Salary Grant	Indiana Department of Homeland Security	97.042	EMC-2020-EP-00001-S01	-	25,822
Total - Department of Homeland Security				-	25,822
Total federal awards expended				<u>\$ 1,256,958</u>	<u>\$ 3,980,955</u>

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

CASS 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, 2022. 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.

CASS 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
20.509	Formula Grants for Rural Areas and Tribal Transit Program	Qualified
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2022-001

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

Condition and Context

There were deficiencies in the internal control system of the County related to financial transactions and reporting.

CASS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Financial Statement

The County had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the County's financial statement.

The County failed to properly review the financial information prepared and submitted in Gateway. Although one employee prepared and entered the financial 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 financial statement presented for audit included the following errors:

1. The beginning cash and investment balance for the American Rescue Plan Covid Grt fund did not include the funds held in an investment, which understated beginning and ending cash and investments by \$3,250,000.
2. The County Redevelop Commission fund did not include the activity related to the TIF Bond - Waelz Project, which understated receipts and disbursements by \$17,000,000.

Audit adjustments were proposed, accepted by the County, and made to the financial statement presented in the Financial Statement Audit Report.

Cash and Investments - Clerk of the Circuit Court

There were deficiencies in the internal control system of the Clerk of the Circuit Court (Clerk) office related to financial transactions and reporting. The Clerk had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting, errors related to cash and investments.

The Bookkeeping Deputy Clerk prepared the monthly reconciliation without a review, oversight, or approval process to ensure that the reconciliation was accurate.

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. . . .

CASS 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](#)."

Cause

Management had not established a proper system of internal controls that would have ensured proper reporting of the financial statement. In addition, a proper system of internal controls over cash and investments in the Clerk's office, which would include segregation of key activities, was not designed or implemented by management of the County.

Effect

Without a proper system of internal controls in place that operated effectively, misstatements or irregularities remained undetected. The financial statement included the errors identified in the *Condition and Context*.

Without the proper implementation of an effectively designed system of internal controls, including policies and procedures that provide segregation of duties and additional oversight as needed, the internal control system cannot be capable of effectively preventing, or detecting and correcting, errors in cash and investments.

Views of Responsible Officials

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

FINDING 2022-002

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

Condition and Context

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

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 or correct errors prior to submission.

CASS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

1. The Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Program grant incorrectly included state expenditures, which overstated expenditures by \$258,018. In addition, the passed through to subrecipient amount was understated by \$45,504.
2. The Formula Grants for Rural Areas and Tribal Transit Program passed through to subrecipient amount was understated by \$1,211,454.
3. Additional grants had individually immaterial errors that resulted in misstatements of expenditures of \$69,427, in total.

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

Criteria

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

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

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.1 states in part:

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

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

CASS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

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

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414."

Cause

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

Effect

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

CASS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2022-003

Subject: Formula Grants for Rural Areas and Tribal Transit Program - Suspension and Debarment
Federal Agency: Department of Transportation
Federal Program: Formula Grants for Rural Areas and Tribal Transit Program
Assistance Listings Number: 20.509
Federal Award Number and Year (or Other Identifying Number): PO 0018811055
Pass-Through Entity: Indiana Department of Transportation
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

Prior to entering into subawards and covered transactions with federal award funds, recipients are required to verify that such contractors and subrecipients are not suspended, debarred, or otherwise excluded. "Covered transactions" include, but are not limited to, contracts for goods and services awarded under a non-procurement transaction (i.e., grant agreement) that are expected to equal or exceed \$25,000. The verification is to be done by checking the SAM exclusions, collecting a certification from that person, or adding a clause or condition to the covered transaction with that person.

The County's policy related to suspension and debarment requirements included the County Auditor reviewing the SAMs website for exclusions, sharing the results with a County Commissioner for review, and both the County Auditor and the County Commissioner signing a document certifying that a diligent inquiry had been performed. The County entered into one covered transaction during the audit period totaling \$1,211,454. The covered transaction was a subrecipient grant agreement with the Cass County Council on Aging (CCCOA) in which the County was the *Grantee* and CCCOA was the *Operator*. Per inquiry with the County Auditor, the County could not provide evidence of the performance of its procedures for 2022 to ensure that the CCCOA was not suspended, debarred, or otherwise excluded from or ineligible for participation in federal assistance programs or activities as no documentation was dated. As such, we could not determine if the County complied with the suspension and debarment requirements.

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). . . ."

CASS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 180.300 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 SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

The system of internal controls as established by management of the County was not properly implemented to ensure that the policies and procedures in place related to suspension and debarment resulted in adequate supporting documentation being retained for audit.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, no documentation was retained of the status of the vendor to whom payment equal to or in excess of \$25,000 was paid.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish a system of internal controls to ensure compliance and comply with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2022-004

Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Reporting
Federal Agency: Department of the Treasury
Federal Program: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
Assistance Listings Number: 21.027
Federal Award Number and Year (or Other Identifying Number): FY 2022
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

CASS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

The County had not established a system of internal controls that would likely be effective in preventing, or detecting and correcting, noncompliance. Recipients are required to submit quarterly or annual Project and Expenditure (P&E) reports to the Department of the Treasury (Treasury). The reporting periods as well as the respective due dates are based upon type of recipient and its population as well as the recipient's allocation amount. Information to be reported includes projects funded, expenditures, and contracts for the appropriate reporting period.

The County was classified as a county with a population below 250,000 residents that received an allocation of less than \$10 million in State and Local Fiscal Recovery Funds. As such, the initial P&E report covering the period from March 3, 2021 to March 31, 2022, was required to be submitted to the Treasury by April 30, 2022. The subsequent annual reports are to cover one calendar year and must be submitted to the Treasury by April 30 each year.

The County submitted the P&E report by April 30, 2022, as required; however, the report was not mathematically accurate and complete, nor was it supported by the unit's records. Additionally, data accumulated and summarized was not accurate and complete. The key line items of "Cumulative Expenditures" and "Current Period Expenditures" as reported on the P&E report did not agree to the County's ledger. The amounts reported for the two key line items noted were understated as not all activity for the reporting period was properly included.

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). . . ."

Reporting. All recipients of federal funds must complete financial, performance, and compliance reporting as required and outlined in Part 2 of this guidance. Expenditures may be reported on a cash or accrual basis, as long as the methodology is disclosed and consistently applied. Reporting must be consistent with the definition of expenditures pursuant to 2 CFR 200.1. Your organization should appropriately maintain accounting records for compiling and reporting accurate, compliant financial data, in accordance with appropriate accounting standards and principles. . . . (Coronavirus State and Local Fiscal Recovery Funds Compliance and Reporting Guidance)

31 CFR 35.4(c) states in part: "*Reporting and requests for other information.* During the period of performance, recipients shall provide to the Secretary periodic reports providing detailed accounting of the uses of funds."

CASS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

A proper system of internal controls over the P&E report was not designed by management of the County. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the County's management view of what should be done to effect internal control, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions of the federal award could result in the loss of future federal funding to the County.

In addition, not meeting the State and Local Fiscal Recovery Funds reporting requirements increases the likelihood that the public will not have access to transparent and accurate information regarding expenditures of federal awards.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the County establish a proper system of internal controls including strengthening its policies and procedures to ensure that the County provides the Treasury with complete and accurate information for the P&E report.

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.

**Cass County Government Building
200 Court Park
Logansport, IN 46947**



Cass County Auditor
Cheryl Alcorn
Room 105
574-753-7700 cheryl.alcorn@co.cass.in.us

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-001

Fiscal year in which the finding initially occurred: **2019**

Status of Audit Finding:

This finding was addressed immediately following exit meeting. Plan of action has been implemented to include procedures and controls when reporting annual federal grant. Department heads will submit a signed Grant Verification Report to the Auditor to confirm awards information and amounts are correct. Deputy Auditor will provide financial report of grant amounts from Financial System. Auditor will complete the SEFA in Gateway with Verification Reports and Financial System Report. Deputy Auditor will proof the SEFA report and initial to confirm amounts were entered correctly. Auditor will submit SEFA upon confirmation from Deputy Auditor.

Improvements continue in implementing procedures and controls with Department Heads' Grant Verification Reports to ensure proper reporting.

Cheryl Alcorn
County Auditor
574-753-7700

CASS COUNTY

Cass County Government Building
Room 104, 200 Court Park
Logansport, Indiana 46947
(574) 753-7850 (574) 753-0401



Treasurer

Daphne Slusher
daphne.slusher@co.cass.in.us

April 17, 2023

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-002

Fiscal year in which the finding initially occurred:**2021**

Status of Audit Finding:

Reference to Audit Finding 20021-002 Material Weakness, I Daphne Slusher current Cass County Treasurer as of September 1, 2022 have put in place an Internal Control Policy which maps out segregation of all duties, along with dual control monitoring. All my staff as agreed to and signed this policy. In my opinion this will prevent any future Findings in this area.

Daphne Slusher
Cass County Treasurer

**Cass County Government Building
200 Court Park
Logansport, IN 46947**



**Cass County Auditor
Cheryl Alcorn
Room 105
574-753-7700 cheryl.alcorn@co.cass.in.us**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-003

Fiscal year in which the finding initially occurred: **2021**

Status of Audit Finding:

This finding was addressed immediately following exit meeting. Plan of action has been implemented to include procedures and controls to ensure vendor contracts include suspension and debarment compliance clause. If no clause is found within vendor contract the Auditor will research suspension debarment findings through the SAM Exclusions website. Research results will be reviewed and documented by Commissioner President.

Plan of action procedures in place for all contracts entered into after July 2022.

**Cheryl Alcorn
County Auditor
574-753-7700**

**Cass County Government Building
200 Court Park
Logansport, IN 46947**



**Cass County Auditor
Cheryl Alcorn
Room 105
574-753-7700 cheryl.alcorn@co.cass.in.us**

CORRECTIVE ACTION PLAN

FINDING 2022-001

Contact Person Responsible for Corrective Action: **Cheryl Alcorn, County Auditor**
Contact Phone Number: **574-753-7700**

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

Auditor and Deputy Auditor will work together to ensure amounts are properly recorded in the Annual Financial Report.

The corrective plan of action will include a review of AFR Report by deputy auditors, upon review process the Auditor will ensure AFR report to be complete and accurate.

Anticipated Completion Date:

Corrective action plan will start immediately.

***Cheryl Alcorn, Cass County Auditor
May 22, 2023***



Destry Richey
Clerk of the Cass County Courts
Circuit and Superior Courts
200 Court Park
Logansport, IN 46947
(574)753-7740
destry.richey@co.cass.in.us

CORRECTIVE ACTION PLAN

FINDING 2022-001

Contact Person Responsible for Corrective Action: **Destry Richey, Cass County Clerk**
Contact Phone Number: **574-753-7740**

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

Clerk and the Deputy Clerk Bookkeeper will work together to ensure that the office's internal controls are updated and implemented immediately in regards to financial transactions and reporting.

The monthly reconciliation will be reviewed, over seen and approved by at least two people with their initials and dated per the suggestions of the State Board of Accounts Field Examiner to ensure that the reconciliation is correct and that we are complying with Indiana Code 5-11-1-27.

Anticipated Completion Date:

Corrective action plan will start immediately.

Destry Richey, Cass County Clerk

**Cass County Government Building
200 Court Park
Logansport, IN 46947**



**Cass County Auditor
Cheryl Alcorn
Room 105
574-753-7700 cheryl.alcorn@co.cass.in.us**

CORRECTIVE ACTION PLAN

FINDING 2022-002

Contact Person Responsible for Corrective Action: **Cheryl Alcorn, County Auditor**
Contact Phone Number: **574-753-7700**

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

Auditor and Grant Recipient/Department Head will work together to ensure grant amounts are properly separated and identified by Federal CFDA Number when completing SEFA Report in Annual Financial Report.

Improvements continue in implementing procedures and controls with Department Heads' Grant Verification Reports and ACH notifications received are properly coded to ensure proper reporting and entering of grant funding.

The corrective plan of action will include a review of SEFA Report by deputy auditors, upon review process the Auditor will ensure SEFA report to be complete and accurate.

Anticipated Completion Date:

Corrective action plan will start immediately.

***Cheryl Alcorn, Cass County Auditor
May 22, 2023***

**Cass County Government Building
200 Court Park
Logansport, IN 46947**



**Cass County Auditor
Cheryl Alcorn
Room 105
574-753-7700 cheryl.alcorn@co.cass.in.us**

CORRECTIVE ACTION PLAN

FINDING 2022-003

Contact Person Responsible for Corrective Action: **Cheryl Alcorn, County Auditor**
Contact Phone Number: **574-753-7700**

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

Plan of action has been implemented to include procedures and controls to ensure vendor contracts include suspension and debarment compliance clause. If suspension and debarment clause is not included the Auditor will research suspension debarment findings through the SAM Exclusions website. Research results will be reviewed and documented by Commissioner President.

Plan of action includes recording of Procurement process, history of obtaining sales/services contracts.

Anticipated Completion Date:

Corrective action plan will start immediately.

***Cheryl Alcorn, Cass County Auditor
May 22, 2023***

**Cass County Government Building
200 Court Park
Logansport, IN 46947**



**Cass County Auditor
Cheryl Alcorn
Room 105
574-753-7700 cheryl.alcorn@co.cass.in.us**

CORRECTIVE ACTION PLAN

FINDING 2022-004

Contact Person Responsible for Corrective Action: **Cheryl Alcorn, County Auditor**
Contact Phone Number: **574-753-7700**

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

Auditor and Commissioner will work together to ensure Project and Expenditure Amounts are properly reported to the Department of Treasury.

The corrective plan of action will include the guidance of financial advisors to ensure reporting to be complete and accurate.

Anticipated Completion Date:

Corrective action plan will start immediately.

***Cheryl Alcorn, Cass County Auditor
May 22, 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/>.