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

FEDERAL COMPLIANCE AUDIT REPORT

OF

HOWARD COUNTY, INDIANA

January 1, 2022 to December 31, 2022

FILED
07/03/2023

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SCHEDULE OF OFFICIALS

Office	Official	Term
County Auditor	Jessica Secrease	01-01-22 to 12-31-23
County Treasurer	Christie Branch	01-01-22 to 12-31-23
Clerk of the Circuit Court	Debbie Stewart	01-01-22 to 12-31-23
County Sheriff	Jerry Asher	01-01-22 to 12-31-23
County Recorder	Jennifer Jack	01-01-22 to 12-31-22
	Torie Kelley	01-01-23 to 12-31-23
President of the Board of County Commissioners	Paul Wyman	01-01-22 to 12-31-22
	Brad Bray	01-01-23 to 12-31-23
President of the County Council	Jamie Bolser	01-01-22 to 07-26-22
	(Vacant)	07-27-22 to 08-22-22
	Martha Lake	08-23-22 to 12-31-22
	John Roberts	01-01-23 to 12-31-23

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF HOWARD COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of Howard County (County), for the year ended December 31, 2022, and the related notes to the financial statement, which collectively comprise the County's financial statement and have issued our report thereon dated June 14, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Beth Kelley, CPA, CFE
Deputy State Examiner

June 14, 2023

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Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF HOWARD COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Howard County's (County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 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.

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 major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

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.

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.

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 items 2022-002 and 2022-003. 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 and significant deficiencies.

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 2022-001 and 2022-003, to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2022-002, to be significant deficiencies.

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.

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 June 14, 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

Beth Kelley, CPA, CFE
Deputy State Examiner

June 14, 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.

HOWARD 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
Department of Agriculture					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553			
KYC School Breakfast			FY 2022	$ -	$ 13,780
National School Lunch Program	Indiana Department of Education	10.555			
KYC School Lunch			FY 2022	-	33,152
Total - Child Nutrition Cluster				-	46,932
Total - Department of Agriculture				-	46,932
Department of Housing and Urban Development					
COVID-19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs	14.228			
NCIR Development Block			B-20-DW-18-0001	177,282	177,282
Total - Department of Housing and Urban Developmen				177,282	177,282
Department of Justice					
COVID-19 - Coronavirus Emergency Supplemental Funding Program	Indiana Criminal Justice Institute	16.034			
COVID - CESF			2020-VD-BX-1393	-	28,329
Crime Victim Assistance	Indiana Criminal Justice Institute	16.575			
VOCA - CASA			2018-V2-GX-0031	-	29,805
VOCA - Adult Probation			2018-V2-GX-0031	-	22,814
VOCA - Adult Probation			2019-V2-GX-0014	-	77,989
Total - Crime Victim Assistance				-	130,608
Violence Against Women Formula Grants	Indiana Criminal Justice Institute	16.588			
Stop Violence Against Women			15JOVW-21-GG-0544-STOP	-	11,875
Stop Violence Against Women			2020-WF-AX-0031	-	35,342
Total - Violence Against Women Formula Grants				-	47,217
Public Safety Partnership and Community Policing Grants	Indiana Criminal Justice Institute	16.710			
COPS Hiring Program (CHP)			2020UMWX0466	-	33,451
Total - Department of Justice				-	239,605
Department of Transportation					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
Cumulative Bridge			DES 1401817	-	73,050
Cumulative Bridge			DES 1500284	-	10,717
Cumulative Bridge			DES 1902780	-	33,209
Total - Highway Planning and Construction				-	116,976
Total - Highway Planning and Construction Cluster				-	116,976
Highway Safety Cluster					
State and Community Highway Safety	Indiana Criminal Justice Institute	20.600			
Click It to Live It			CHIRP-2022-00066	-	7,789
Stop Arm Violation Enforcement			CHIRP-2022-00066	-	780
Total - State and Community Highway Safety				-	8,569
National Priority Safety Programs	Indiana Criminal Justice Institute	20.616			
Non-Motorist			CHIRP-2022-00066	-	4,383
Total - Highway Safety Cluster				-	12,952

HOWARD 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
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	Indiana Criminal Justice Institute	20.608			
DUI Taskforce			CHIRP-2022-00066	-	5,014
Total - Department of Transportation				-	134,942
Department of the Treasury					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Direct Grant	21.027			
American Rescue Plan (ARP)			CY 2022	-	8,291,777
Total - Department of the Treasury				-	8,291,777
Department of Health and Human Services					
Public Health Emergency Preparedness	Indiana State Department of Health	93.069			
PHEP Base			CY 2022	-	17,913
COVID-19 - Immunization Cooperative Agreements	Indiana State Department of Health	93.268			
Health - Local Testing			CY 2022	-	12,743
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Disease (ELC)	Indiana State Department of Health	93.323			
Health - Local Testing			CY 2022	-	38,917
COVID-19 - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	Indiana State Department of Health	93.354			
Public Health Crisis Response			CY 2022	-	11,959
Child Support Enforcement	Indiana Department of Child Services	93.563			
Child Support Enforcement			CY 2022	-	21,633
Child Support Enforcement			CY 2022	-	106,216
Child Support Enforcement			CY 2022	-	14,734
Child Support Enforcement			CY 2022	-	581,886
Child Support Enforcement			CY 2022	-	87,538
Total - Child Support Enforcement				-	812,007
Foster Care Title IV-E	Indiana Public Defender Commission	93.658			
Title IV-E Reimbursements			CY 2022	-	7,771
Opioid STR	Indiana Supreme Court	93.788			
SIM - Addiction Response			22-5JC89-C34-001	-	35,668
SIM - Addiction Response			23-5JC89-C34-4	-	46,059
Total - Opioid STR				-	81,727
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	Indiana State Department of Health	93.946			
SUID/SDY Case Registry			FY 2022	-	10,000
Total - Department of Health and Human Services				-	993,037
Department of Homeland Security					
Emergency Management Performance Grants	Indiana Department of Homeland Security	97.042			
EMPG - Salaries			EMC-2021-EP-00004	-	50,467
BRIC: Building Resilient Infrastructure and Communities	Indiana Department of Homeland Security	97.047			
Multi-Hazard Mitigation			EMC-2018-PC-0007	-	19,564
Homeland Security Grant Program	Indiana Department of Homeland Security	97.067			
Cybersecurity			EMW-2021-SS-00032	-	50,000
Total - Department of Homeland Security				-	120,031
Total federal awards expended				$ 177,282	$ 10,003,606

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

HOWARD COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 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.

HOWARD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	yes
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	Unmodified
93.563	Child Support Enforcement	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

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

FINDING 2022-001

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): CY 2022
Compliance Requirement: Reporting
Audit Finding: Material Weakness

Condition and Context

The County 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, noncompliance. Recipients are required to submit quarterly or annually Project and Expenditure (P&E) reports to the U.S. 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 was allocated more than $10 million in state and Local Fiscal Recovery Funds funding. As such, the initial P&E report, covering three calendar quarters from March 3, 2021 to December 31, 2021, was required to be submitted to the Treasury by January 31, 2022. The subsequent quarterly reports are to cover one calendar quarter and must be submitted to the Treasury by the last day of the month following the end of the period covered.

The County submitted four P&E reports during the audit period; however, a single employee prepared and submitted each P&E report without a review or oversight process in place to prevent, or detect and correct, errors.

The lack of internal controls was a systemic issue 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). . . ."

Cause

A proper system of internal controls was not designed by management of the County, which would include segregation of key functions. 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 of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper design or implementation of the components of a 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, material noncompliance.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the County design and implement a proper system of internal controls, including policies and procedures that would provide segregation of duties to ensure appropriate reviews, approvals, and oversight are taking place.

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: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Procurement
Federal Agency: Department of the Treasury
Federal Program: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
Assistance Listings Number: 21.027
Federal Award Number and Year (or Other Identifying Number): CY 2022
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Significant Deficiency, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2021-003.

Condition and Context

Nonfederal entities are required to maintain written standards of conduct covering conflicts of interest and governing actions of its employees engaged in the selection, award, and administration of contracts. As part of accepting the State and Local Fiscal Recovery Funds (SLFRF) the County agreed to maintain a conflict-of-interest policy, which is applicable to all activities funded with the SLFRF award.

The County addressed conflicts of interest in the County's Personnel Policies Handbook. However, it did not include standards of conduct covering conflicts of interest or how to govern the actions of its employees engaged in selection, award, and administration of contracts supported by federal awards.

The lack of 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). . . ."

2 CFR 200.318(c)(1) states:

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

Federal Register, Vol. 87, No.18, page 4400, states in part:

". . . as part of accepting the Award Terms and Conditions for SLFRF, each recipient agreed to maintain a conflict-of-interest policy consistent with 2 CFR 200.318(c) that is applicable to all activities funded with the SLFRF award. This award term requires recipients and subrecipients to report to Treasury or the pass-through agency, as appropriate, any potential conflict of interest related to the award funds per 2 CFR 200.112. . . ."

Cause

The system of internal controls as established by management of the County was not properly implemented to ensure that policies adequately addressed all required elements related to procurement.

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.

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 its compliance with requirements related to procurement.

Views of Responsible Officials

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

FINDING 2022-003

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

Condition and Context

State and Local Fiscal Recovery Funds (SLFRF) may be used to acquire real and personal property, supplies, and equipment. Equipment purchased with SLFRF funds requires management, among other things, to maintain property records, complete a physical inventory, safeguard against loss, and properly maintain the equipment.

A property record or capital asset listing which would include a description of the property, a serial number or other identification number, the source of funding for the property (including the federal award identification number), who holds title, the acquisition date, cost of the property, percentage of federal participation in the project costs for the federal award under which the property was acquired, the location, and use and condition of the property is to be maintained for assets purchased.

The County did not maintain adequate property records for assets purchased with SLFRF award funds. A population of 23 assets, totaling $812,524, paid from SLFRF funds during the audit period was identified. A sample of 5 assets, totaling $329, 394, were selected for testing. Of the 5 assets tested, 2 were not added to the property records and 3, while added to the property records, did not have the appropriate identifying information to show the assets were purchased with federal grant funds.

Assets purchased with SLFRF award funds are to be used for the originally authorized purpose as long as needed for that purpose, during which time the County must not dispose of or encumber its title or other interests. If the real property is no longer needed for the originally authorized purpose instructions from the federal awarding agency that provide for one of three alternatives are required. The alternatives include retaining title after compensating the federal awarding agency, selling the property and compensating the federal awarding agency or transferring title to the federal awarding agency or to a third-party designated/approved by the federal awarding agency.

During the audit period, the County had one disposal. The disposal was a building that was originally purchased with SLFRF grant funds in 2021 for $201,631. At the time of purchase, the County did not obtain the required appraisals, as such the purchase was considered a questioned cost in the prior audit. In 2022, the County had an agreement to sell the building to a non-profit organization for $200,000. However, the County did not adhere to the agreement, nor request instruction from the federal awarding agency. Instead, the County gave the building, without approval from the federal awarding agency, to the non-profit organization. As such, the County did not follow proper protocol for the disposition of real property.

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). . . ."

2 CFR 200.313 states in part:

". . . (d) *Management requirements*. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. . . ."

2 CFR 200.311 states in part:

". . . (c) *Disposition*. When real property is no longer needed for the originally authorized purpose, the non-Federal entity must obtain disposition instructions from the Federal awarding agency or pass-through entity. The instructions must provide for one of the following alternatives:

(1) Retain title after compensating the Federal awarding agency. The amount paid to the Federal awarding agency will be computed by applying the Federal awarding agency's percentage of participation in the cost of the original purchase (and costs of any improvements) to the fair market value of the property. However, in those situations where the non-Federal entity is disposing of real property acquired or improved with a Federal award and acquiring replacement real property under the same Federal award, the net proceeds from the disposition may be used as an offset to the cost of the replacement property.

(2) Sell the property and compensate the Federal awarding agency. The amount due to the Federal awarding agency will be calculated by applying the Federal awarding agency's percentage of participation in the cost of the original purchase (and cost of any improvements) to the proceeds of the sale after deduction of any actual and reasonable selling and fixing-up expenses. If the Federal award has not been closed out, the net proceeds from sale may be offset against the original cost of the property. When the non-Federal entity is directed to sell property, sales procedures must be followed that provide for competition to the extent practicable and result in the highest possible return.

(3) Transfer title to the Federal awarding agency or to a third party designated/approved by the Federal awarding agency. The non-Federal entity is entitled to be paid an amount calculated by applying the non-Federal entity's percentage of participation in the purchase of the real property (and cost of any improvements) to the current fair market value of the property."

Cause

A proper system of internal controls was not designed by management of the County. Embedded within a properly designed and implemented internal control system should be controls consisting of policies and procedures. Policies reflect the County's management of what should be done to effect internal controls, 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. As a result, not all required elements of the property record were documented for assets acquired with SLFRF award funds, nor was an asset properly disposed of.

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.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the County establish a proper system of internal controls and develop policies and procedures to ensure property records contain all required elements and that assets are properly disposed of.

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.

Jessica Secrease
Auditor

Gabrielle Dupuy
Chief Deputy

Howard County Auditor
Administration Center
220 N. Main St., Rm. 222
Kokomo, IN 46901
Phone: (765) 456-2215

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-001
Fiscal year in which the finding initially occurred: 2021

Status of Audit Finding: Corrected

The corrective action taken is that the County has now established effective internal controls. State EFT notifications as well as grant contracts/agreements are reviewed by multiple people, making it possible for the SEFA to be as accurate as possible.

Jessica Secrease
Auditor

Gabrielle Dupuy
Chief Deputy

Howard County Auditor
Administration Center
220 N. Main St., Rm. 222
Kokomo, IN 46901
Phone: (765) 456-2215

FINDING 2021-002

Fiscal year in which the finding initially occurred: 2021

Status of Audit Finding: Corrected

The corrective action taken is that the County is now aware that you cannot transfer federal funding between different grant funds. The original $25,000 transfer was appropriately recategorized on the Treasury's quarterly compliance reports.

The Commissioners will now ensure that the County Attorney reviews any and all major capital asset purchases by making sure that an appraisal is obtained. The Auditor will ensure, once made aware by the Commissioners that a building/land is being purchased, that the appraisals are completed. The Auditor will continue to have to heavily rely on the Commissioners and County Attorney to communication this information in order to accomplish this corrective action.

Jessica Secrease
Auditor

Gabrielle Dupuy
Chief Deputy

Howard County Auditor
Administration Center
220 N. Main St., Rm. 222
Kokomo, IN 46901
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FINDING 2021-003

Fiscal year in which the finding initially occurred: 2021

Status of Audit Finding: Partially Corrected

The corrective action taken is that the County now reviews any vendors paid with federal grant funding on SAM.gov to see if they are suspended or debarred. This is tracked on a spreadsheet in the Auditor's Office. One employee reviews the vendor on SAM.gov, and another employee verifies the information.

The County has not yet implemented a policy including standards of conduct covering conflicts of interest or how to govern actions of its employees engaged in selection, award, and administration of contracts supported by federal awards. Also, County has not yet implemented a policy to use statutorily or administratively imposed in-state or local geographical preferences in the evaluation of bids or proposals. The Commissioners and the County Attorney will be made aware again that these policies are to be created and implemented.

Jessica Secrease
Auditor

Gabrielle Dupuy
Chief Deputy

Howard County Auditor
Administration Center
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Kokomo, IN 46901
Phone: (765) 456-2215

CORRECTIVE ACTION PLAN

FINDING 2022-001

Contact Person Responsible for Corrective Action: Jessica Secrease
Contact Phone Number: 765-456-2804

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The County will establish an effective internal control system that will segregate duties when it comes to federal compliance reporting. The Chief Deputy will continue to prepare and submit reports. The Auditor will review and approve any reporting prior to submission. Initialed reports will be kept within the grant file.

Anticipated Completion Date: 07/31/2023

Jessica Secrease
Auditor

Gabrielle Dupuy
Chief Deputy

Howard County Auditor
Administration Center
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Kokomo, IN 46901
Phone: (765) 456-2215

CORRECTIVE ACTION PLAN

FINDING 2022-002

Contact Person Responsible for Corrective Action: Jessica Secrease
Contact Phone Number: 765-456-2804

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The County will establish a federally-compliant conflict of interest policy in addition to the County's current conflict of interest policy. The County Attorney will be notified again that this policy still needs to be created.

Anticipated Completion Date: 10/31/2023

Jessica Secrease
Auditor

Gabrielle Dupuy
Chief Deputy

Howard County Auditor
Administration Center
220 N. Main St., Rm. 222
Kokomo, IN 46901
Phone: (765) 456-2215

CORRECTIVE ACTION PLAN

FINDING 2022-003

Contact Person Responsible for Corrective Action: Jessica Secrease
Contact Phone Number: 765-456-2804

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The County will maintain adequate property records for the State and Local Fiscal Recovery Funds. In the future, the Auditor's Office will request that the County Commissioners and County Attorney provide all necessary information in order for records to be maintained properly. The County Commissioners will also be reminded that they need to follow the agreements that they approve.

Anticipated Completion Date: 06/15/2023

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/.