

KNOX COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2022

OHIO AUDITOR OF STATE
KEITH FABER

An outline map of the state of Ohio is positioned to the right of the text 'OHIO AUDITOR OF STATE' and 'KEITH FABER'. The map is a simple black line drawing of the state's geographical shape.

**KNOX COUNTY
DECEMBER 31, 2022**

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KNOX COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal AL Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture:				
Passed through Ohio Department of Job and Family Services:				
Supplemental Nutrition Assistance Program (SNAP) Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-2011-11-5946/G-2223-11-6945	\$ -	\$ 314,111
Total U.S. Department of Agriculture			<u>-</u>	<u>314,111</u>
U.S. Department of Housing and Urban Development:				
Passed through Ohio Development Services Agency:				
CDBG - Community Development Block Grants - State's Program and Non-Entitlement Grants in Hawaii				
	14.228	B-F-20-1BM-1	-	137,970
		B-X-20-1BM-1	-	103,381
		B-X-19-1BM-1	-	19,162
CDBG Economic Development Grant - Revolving Loan		B-D-21-1BM-4	-	77,000
Total Community Development Block Grants - State's Program and Non-Entitlement Grants in Hawaii			<u>-</u>	<u>337,513</u>
Total U.S. Department of Housing and Urban Development			<u>-</u>	<u>337,513</u>
U.S. Department of Justice:				
Passed through the Ohio Attorney General:				
Crime Victim Assistance				
	16.575	2022-VOCA-134713881	-	36,842
Total U.S. Department of Justice			<u>-</u>	<u>36,842</u>
U.S. Department of Labor:				
Passed-through Ohio Department of Job and Family Services:				
Passed-through Montgomery County Auditor, WIA Area 7 Board:				
Employment Service Cluster				
WIOA Employment Service/Wagner-Peyser Funded Activities	17.207	G-2021/22-7242-1/G-2022/23-7242-1	-	34,364
Total Employment Service Cluster			<u>-</u>	<u>34,364</u>
Unemployment Insurance	17.225	G-2021/22-7242-1/G-2022/23-7242-1	-	43,728
Trade Adjustment Assistance	17.245	G-2021/22-7242-1/G-2022/23-7242-1	-	5,374
WIOA National Emergency Grants	17.277	G-2021/22-7242-1/G-2022/23-7242-1	-	29,703
Workforce Investment Act Cluster				
WIOA Adult Program	17.258	G-2021/22-7242-1/G-2022/23-7242-1	-	194,604
WIOA Youth Activities	17.259	G-2021/22-7242-1/G-2022/23-7242-1	-	248,754
WIOA Dislocated Worker Formula Grants	17.278	G-2021/22-7242-1/G-2022/23-7242-1	-	59,703
Total Workforce Investment Act Cluster			<u>-</u>	<u>503,061</u>
Total U.S. Department of Labor			<u>-</u>	<u>616,230</u>
U.S. Department of Transportation:				
Direct Program:				
Airport Improvement Program	20.106	3-39-0058-020-2021	-	124,513
Passed-through Ohio Department of Transportation:				
Highway Planning and Construction Cluster				
Highway Planning and Construction Grant (Federal Aid Highway Program)	20.205	PID 115294	-	29,916
		PID 105448	-	867,881
		PID 112275	-	17,013
		PID 113863	-	165,289
Total Highway Planning and Construction Grant			<u>-</u>	<u>1,080,099</u>
Total Highway Planning and Construction Cluster			<u>-</u>	<u>1,080,099</u>
Formula Grants for Rural Areas and Tribal Transit Program				
5311 Rural Transit Program	20.509	OH-2020-005		
Capitalized Maintenance		RPTM-0106-005-221		150,442
Operating Assistance		RPTF-4106-005-221		856,450
Total Formula Grants for Rural Areas and Tribal Transit Program			<u>-</u>	<u>1,006,892</u>
Transit Services Programs Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	CARE-0106-024-210	-	25,794
	20.513	OCPX-0106-038-210	-	37,271
Total Transit Services Programs Cluster			<u>-</u>	<u>63,065</u>
Total U.S. Department of Transportation			<u>-</u>	<u>2,274,569</u>

KNOX COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Continued)

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Treasury:				
Direct				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	316400072	-	5,443,688
COVID-19 Local Assistance & Tribal Consistency Fund	21.032	LATCF Funds	-	50,000
Total U.S. Department of Treasury			<u>-</u>	<u>5,493,688</u>
U. S. Election Assistance Commission:				
Pass-through Ohio Secretary of State:				
Help America Vote Act (HAVA) Election Security Grants	90.404	316400072	-	4,717
Total U. S. Election Assistance Commission			<u>-</u>	<u>4,717</u>
U.S. Department of Health and Human Services:				
Passed-through Ohio Department of Jobs and Family Services:				
Promoting Safe and Stable Families	93.556	G-2021-11-5946/G-2223-11-6945	-	50,221
Temporary Assistance for Needy Families (TANF) (Title IV-A)	93.558	G-2021-11-5946/G-2223-11-6945	315,500	955,534
Child Support Enforcement	93.563	G-2021-11-5946/G-2223-11-6945	-	677,533
Child Care and Development Fund Cluster				
Child Care and Development Block Grant	93.575	G-2021-11-5946/G-2223-11-6945	-	67,748
Total Child Care and Development Fund Cluster			<u>-</u>	<u>67,748</u>
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-2021-11-5946/G-2223-11-6945	-	1,465
Foster Care Title IV-E	93.658	G-2021-11-5946/G-2223-11-6945	-	1,976,612
Adoption Assistance (Title IV-E)	93.659	G-2021-11-5946/G-2223-11-6945	-	235,607
Chafee Foster Care Program for Successful Transition to Adulthood	93.674	G-2021-11-5946/G-2223-11-6945	-	24,019
Elder Abuse Prevention Interventions Program	93.747	G-2021-11-5946/G-2223-11-6945	-	35,819
Children Health Insurance Program (CHIP)	93.767	G-2021-11-5946/G-2223-11-6945	-	333,538
Passed-through Ohio Department of Jobs and Family Services:				
Social Services Block Grant	93.667	G-2021-11-5946/G-2223-11-6945	-	471,429
Passed-through Ohio Department of Developmental Disabilities				
Social Services Block Grant - Title XX	93.667	31-6400072	-	42,068
Total Social Services Block Grant			<u>-</u>	<u>513,497</u>
Passed-through Ohio Department of Jobs and Family Services:				
Medicaid Cluster				
Medical Assistance Program (Medicaid: Title XIX)	93.778	G-2021-11-5946/G-2223-11-6945	-	429,768
Total Medicaid Cluster			<u>-</u>	<u>429,768</u>
Total U.S. Department of Health and Human Services			<u>315,500</u>	<u>5,301,361</u>
U.S. Department of Homeland Security:				
Passed through Ohio Emergency Management Agency:				
Emergency Management Performance Grants	97.042	EMC-2021-EP-00002	-	79,097
Total Emergency Management Performance Grants			<u>-</u>	<u>79,097</u>
Total U.S. Department of Homeland Security			<u>-</u>	<u>79,097</u>
Total Expenditures of Federal Awards			<u>\$ 315,500</u>	<u>\$ 14,458,128</u>

The accompanying notes are an integral part of this schedule.

KNOX COUNTY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2022**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Knox County (the County) under programs of the federal government for the year ended December 31, 2022. The information on this Schedule is prepared 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 Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting, except expenditures passed through Ohio Department of Transportation for the Formula Grants for Rural Areas Program (AL #20.509) are presented on an accrual basis. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - SUBRECIPIENTS

The County passes certain federal awards received from Ohio Department of Jobs and Family Services to other governments or not-for-profit agencies (subrecipients). As Note B describes, the County reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the County has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE E – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) with REVOLVING LOAN CASH BALANCE

The current cash balance on the County's local program income account as of December 31, 2022 is \$330,094.

NOTE F - MATCHING REQUIREMENTS

Certain Federal programs require the County to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

KNOX COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2022
(Continued)

NOTE G - TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2022, the County made allowable transfers of \$168,160 from the Temporary Assistance for Needy Families (TANF) (93.558) program to the Social Services Block Grant (SSBG) (93.667) program. The Schedule shows the County spent approximately \$955,534 on the TANF program. The amount reported for the TANF program on the Schedule excludes the amount transferred to the SSBG program. The amount transferred to the SSBG program is included as SSBG expenditures when disbursed. The following table shows the gross amount drawn for the TANF program during fiscal year 2022 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$ 1,123,694
Transfer to Social Services Block Grant	<u>(168,160)</u>
Total Temporary Assistance for Needy Families	<u>\$ 955,534</u>

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Knox County
117 East High Street
Mount Vernon, Ohio 43050

To the Board of Commissioners:

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Knox County, (the County) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 31, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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 opinions on the financial statements, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from 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 financial statements. 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.



Keith Faber
Auditor of State
Columbus, Ohio

August 31, 2023

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM ON INTERNAL CONTROLS OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Knox County
117 East High Street
Mount Vernon, Ohio 43050

To the Board of Commissioners:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Knox County's (the County) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Knox County's major federal programs for the year ended December 31, 2022. Knox County's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Knox County complied, in all material respects, with the 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

The County's 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 an instance of noncompliance which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings as item 2022-001. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and corrective action plan. 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.

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 a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. A *significant deficiency in internal control over compliance* is a deficiency, or a 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 deficiency in internal control over compliance described in the accompanying schedule of findings as item 2022-001 to be a material weakness.

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 requires the auditor to perform limited procedures on the County's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and/or corrective action plan. 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 this 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 statements of the governmental activities, the business-type activities, the discretely-presented component units, each major fund and the aggregate remaining fund information of Knox County, (the County) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our unmodified report thereon dated August 31, 2023. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. 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 basic financial statements. The schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records management used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, 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 basic financial statements as a whole.



Keith Faber
Auditor of State
Columbus, Ohio

August 31, 2023

KNOX COUNTY

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2022**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	AL #21.027 Coronavirus State and Local Fiscal Recovery Fund AL #93.563 Child Support Enforcement AL #93.658 Title IV-E Foster Care
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR § 200.520?	No

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None.

KNOX COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2022
(Continued)

3. FINDINGS FOR FEDERAL AWARDS

ARPA Suspension and Debarment

Finding Number:	2022-001
Assistance Listing Number and Title:	AL # 21.027 COVID-19 Coronavirus State and Local Fiscal Recovery Fund
Federal Award Identification Number / Year:	316400072 / 2022
Federal Agency:	U.S. Department of Treasury
Compliance Requirement:	Suspension and Debarment
Repeat Finding from Prior Audit?	No

Noncompliance and Material Weakness

2 CFR § 180.305 states that Non-Federal entities are prohibited from entering into a covered transaction with parties that are suspended or debarred or whose principals are suspended or debarred, unless the Federal agency responsible for the transaction grants an exception under 2 CFR § 180.135.

2 CFR § 180.200 identifies "covered transactions" as nonprocurement or procurement transactions at the primary tier, between a Federal agency and a person; or at the lower tier, between a participant in a covered transaction and another person. Procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) are covered transactions if the contracts are expected to equal or exceed \$25,000 or meet certain other specified criteria outlined in 2 CFR § 180.220. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless exempt by 2 CFR § 180.215.

When a non-Federal entity enters into a covered transaction, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking SAM exclusions (<https://sam.gov>); collecting a certification from the entity, or adding a clause or condition to the covered transactions with that entity.

The County did not have the proper internal controls in place to verify that all entities, with whom the County had entered into covered transactions, had not been suspended or debarred. During testing of nonpayroll disbursements for the AL #21.027 ARPA Coronavirus State and Local Fiscal Recovery Fund, we noted five instances out of seven tested in which the program had a payment to a vendor of more than \$25,000 and there was no evidence the County checked the SAM exclusions, collected a certification from the entity, or added a clause or condition to the covered transaction with the vendor. Due to the deficient internal control structure, the required verification was not completed for the covered transaction in the AL #21.027 ARPA Coronavirus State and Local Fiscal Recovery Fund during the fiscal year ended December 31, 2022.

Failing to have the appropriate controls in place may result in vendors receiving federal funds that are suspended or debarred.

Prior to contracting with vendors that will be paid with federal funds, the County should verify the vendor is not suspended or debarred by checking the SAM exclusions, collecting a certification from the vendor, or adding a clause or condition to the covered transaction with the vendor.

Officials' Response: See Corrective Action Plan