

KNOX COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2023

OHIO AUDITOR OF STATE
KEITH FABER



KNOX COUNTY
DECEMBER 31, 2023

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KNOX COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

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-2023-11-5946/G-2223-11-6945	\$ -	\$ 394,664
Total U.S. Department of Agriculture			-	394,664
U.S. Department of Housing and Urban Development:				
Passed through Ohio Development Services Agency:				
CDBG - Community Development Block Grant - State's Program and Non-Entitlement Grants in Hawaii				
	14.228	B-F-20-1BM-1	-	358
		B-D-21-1BM-4	-	66,167
		B-F-22-1BM-1	-	18,575
		B-W-22-1BM-1	-	27,617
		B-E-20-1BM-1	-	475,000
Total Community Development Block Grant - State's Program and Non-Entitlement Grants in Hawaii			-	587,717
Total U.S. Department of Housing and Urban Development			-	587,717
U.S. Department of Justice:				
Passed through the Ohio Attorney General:				
Crime Victim Assistance				
	16.575	2022-VOCA-134713881	-	40,901
Total U.S. Department of Justice			-	40,901
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				
Employment Service/Wagner-Peyser Funded Activities	17.207	G-2021/22-7242-1/G-2022/23-7242-1	-	13,332
Unemployment Insurance	17.225	G-2021/22-7242-1/G-2022/23-7242-1	-	100,861
Trade Adjustment Assistance	17.245	G-2021/22-7242-1/G-2022/23-7242-1	-	2,131
Workforce Investment Act Cluster				
WIOA Adult Program	17.258	G-2021/22-7242-1/G-2022/23-7242-1	-	199,196
WIOA Youth Activities	17.259	G-2021/22-7242-1/G-2022/23-7242-1	-	120,948
WIOA Dislocated Worker Formula Grants	17.278	G-2021/22-7242-1/G-2022/23-7242-1	-	62,048
Total Workforce Investment Act Cluster			-	382,192
WIOA National Emergency Grants	17.277	G-2021/22-7242-1/G-2022/23-7242-1	-	5,258
Total U.S. Department of Labor			-	503,774
U.S. Department of Transportation:				
Direct Program:				
Airport Improvement Program				
	20.106	3-39-0058-020-2021	-	848,173
Passed-through Ohio Department of Transportation:				
Highway Planning and Construction				
	20.205	PID 115515	-	25,505
		PID 113863	-	45,772
		PID 112275	-	311,658
		PID 110921	-	85,840
		PID 108876	-	523,374
		PID 107099	-	110,196
Total Highway Planning and Construction Grant			-	1,102,345
Formula Grants for Rural Areas and Tribal Transit Program	20.509	EHTA-4106-GRF-211	-	84,379
		GRFV-4106-GRV-210	-	33,776
		RPTM-0106-005-221	-	133,734
		RPTF-4106-005-221	-	1,150,174
Total Formula Grants for Rural Areas and Tribal Transit Program			-	1,402,063
Transit Services Programs Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities				
	20.513	OCXP-0106-038-210	-	58,247
Total Transit Services Programs Cluster			-	58,247
Total U.S. Department of Transportation			-	3,410,828

KNOX COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023
(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:				
Passed through Ohio Department of Budget and Management: COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	50401, 50407	-	3,334,366
Passed-through Ohio Department of Jobs and Family Services: COVID-19 Coronavirus State and Local Fiscal Recovery Funds - Medicaid Unwinding Regular	21.027	G-2023-11-5946/G-2223-11-6945	-	275,916
Total COVID-19 Coronavirus State and Local Fiscal Recovery Funds			-	3,610,282
Direct Program: Local Assistance & Tribal Consistency Fund	21.032	LATCF Funds	-	50,000
Total U.S. Department of Treasury			-	3,660,282
U.S. Department of Health and Human Services:				
Passed-through Ohio Department of Jobs and Family Services: Title IV-E Prevention and Family Services and Programs	93.472	G-2023-11-5946/G-2223-11-6945	-	6,476
Promoting Safe and Stable Families	93.556	G-2023-11-5946/G-2223-11-6945	-	52,849
Temporary Assistance for Needy Families	93.558	G-2023-11-5946/G-2223-11-6945	312,334	1,236,440
Child Support Enforcement	93.563	G-2023-11-5946/G-2223-11-6945	-	623,222
CCDF Cluster Child Care and Development Block Grant	93.575	G-2023-11-5946/G-2223-11-6945	-	64,130
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-2023-11-5946/G-2223-11-6945	-	52,037
Foster Care_Title IV-E	93.658	G-2023-11-5946/G-2223-11-6945	-	1,424,226
Adoption Assistance	93.659	G-2023-11-5946/G-2223-11-6945	-	262,826
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	G-2023-11-5946/G-2223-11-6945	-	30,363
Elder Abuse Prevention Interventions Program	93.747	G-2023-11-5946/G-2223-11-6945	-	46,341
Children Health Insurance Program	93.767	G-2023-11-5946/G-2223-11-6945	-	138,855
Passed-through Ohio Department of Jobs and Family Services: Social Services Block Grant	93.667	G-2023-11-5946/G-2223-11-6945	-	82,027
Passed-through Ohio Department of Developmental Disabilities: Social Services Block Grant - Title XX	93.667	31-6400072	-	41,258
Total Social Services Block Grant			-	123,285
Passed-through Ohio Department of Jobs and Family Services: Medicaid Cluster Medical Assistance Program	93.778	G-2023-11-5946/G-2223-11-6945	-	428,094
Total Medicaid Cluster			-	428,094
Total U.S. Department of Health and Human Services			-	4,489,144
U.S. Department of Homeland Security:				
Passed through Ohio Emergency Management Agency: Emergency Management Performance Grants	97.042	EMC-2021-EP-00006	-	59,780
Emergency Management Performance Grant-ARPA	97.042	EMC-2021-EP-00007	-	25,680
Emergency Management Performance Grant-ARPA	97.042	EMC-2021-EP-00007	-	18,752
Total Emergency Management Performance Grants			-	104,212
Total U.S. Department of Homeland Security			-	104,212
Total Expenditures of Federal Awards			\$ 312,334	\$ 13,191,522

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, 2023**

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, 2023. 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, 2023 is \$315,558.

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, 2023
(Continued)

NOTE G - TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2023, the County made allowable transfers of \$82,027 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 \$1,236,440 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 2023 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$1,318,467
Transfer to Social Services Block Grant	<u>(82,027)</u>
Total Temporary Assistance for Needy Families	<u>\$1,236,440</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, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 27, 2024.

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

June 27, 2024

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

Qualified and Unmodified Opinions

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, 2023. Knox County's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

Qualified Opinion on AL # 20.205 Highway Planning and Construction Program and AL # 21.027 Coronavirus State and Local Fiscal Recovery Fund

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, Knox County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on AL # 20.205 Highway Planning and Construction Program and AL # 21.027 Coronavirus State and Local Fiscal Recovery Fund for the year ended December 31, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended December 31, 2023.

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 qualified and unmodified opinions 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.

Matters Giving Rise to Qualified Opinions on AL # 20.205 Highway Planning and Construction Program and AL # 21.027 Coronavirus State and Local Fiscal Recovery Fund

As described in finding 2023-001 in the accompanying schedule of findings, the County did not comply with requirements regarding Suspension and Debarment applicable to its AL # 20.205 Highway Planning and Construction Program major federal program.

As described in finding 2023-002 in the accompanying schedule of findings, the County did not comply with requirements regarding Procurement applicable to its AL # 21.027 Coronavirus State and Local Fiscal Recovery Fund.

Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program.

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

Government Auditing Standards requires the auditor to perform limited procedures on the County's responses to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and corrective action plan. The County's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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. 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 deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2023-001 and 2023-002 to be material weaknesses.

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 responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and corrective action plan. The County's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 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, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our unmodified report thereon dated June 27, 2024. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. We have not performed any procedures on the audited financial statements subsequent to June 27, 2024. 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

September 10, 2024

KNOX COUNTY

SCHEDULE OF FINDINGS

2 CFR § 200.515

DECEMBER 31, 2023

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified for all major programs except for the following programs that are Qualified: AL #20.205 Highway Planning and Construction Program AL #21.027 Coronavirus State and Local Fiscal Recovery Fund
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Supplemental Nutrition Assistance Program Cluster AL #21.027 Coronavirus State and Local Fiscal Recovery Fund AL #20.106 Airport Improvement Program AL #20.205 Highway Planning and Construction Program
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	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 (continued)
2 CFR § 200.515
DECEMBER 31, 2023

3. FINDINGS FOR FEDERAL AWARDS

1. Federal Suspension and Debarment Requirements – Noncompliance/Material Weakness

Finding Number:	2023-001
Assistance Listing Number and Title:	AL # 20.205 Highway Planning and Construction Program
Federal Award Identification Number / Year:	PID 107099 & PID 112275 / 2023
Federal Agency:	U.S. Department of Transportation
Compliance Requirement:	Suspension and Debarment
Pass-Through Entity:	Ohio Department of Transportation
Repeat Finding from Prior Audit?	Yes
Prior Audit Finding Number	2022-001

2 CFR 1200.10 gives regulatory effect to 2 CFR 180.305 which provides that participants are prohibited from entering into a covered transaction with parties that are excluded or disqualified and 2 CFR 180.315 prohibits participants from entering into covered transactions with parties whose principals are excluded or disqualified, unless the Federal agency responsible for the transaction grants an exception under 2 CFR § 180.135, or unless the participants has obtained an exception under the disqualifying statute, Executive order, or regulation.

2 CFR 1200.10 gives regulatory effect to 2 CFR 180.200 identifies "covered transactions" as non-procurement or procurement transactions subject to the prohibitions of 2 CFR § 180 subpart B, and may be a transaction 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. Under 2 CFR § 180.220, procurement contracts for goods and services awarded by a participant in a non-procurement 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. All non-procurement transactions (i.e., sub-awards to subrecipients), irrespective of award amount, are considered covered transactions, unless exempt under 2 CFR § 180.215.

2 CFR 180.330 requires that before a participant enters into a covered transaction with another party, the participant must verify that the party the participant is seeking to do business with is not excluded or disqualified. 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.

Additionally, the County established the "Federal Procurement Policy" through Resolution # 2018-868 which states "sub awards and contract will not be permitted with parties that are debarred, suspended or otherwise excluded from or ineligible for participation in federal assistance programs or activities. Departmental Fiscal Supervisors are responsible for checking the Excluded Parties List System (EPLS) website, also known as the Debarred Contractors List prior to the approval of federal sub-awards or contacts of any amount or purchased of \$50,000 or higher of federal awards."

The County did not have proper internal controls in place to help 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 AL # 20.205 Highway Planning and Construction Program, we noted for all procurement transactions tested with a payment to a vendor of more than \$25,000, 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 # 20.205 Highway Planning and Construction Program during the fiscal year ended December 31, 2023. Failing to have the appropriate controls in place may result in vendors receiving federal funds that are suspended or debarred.

KNOX COUNTY

SCHEDULE OF FINDINGS (continued)

2 CFR § 200.515

DECEMBER 31, 2023

3. FINDINGS FOR FEDERAL AWARDS (continued)

1. Federal Suspension and Debarment Requirements – Noncompliance/Material Weakness (continued)

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. In addition, the County should amend their policy to ensure the dollar threshold agrees to the CFR.

Officials' Response: See corrective action plan.

2. Federal Procurement Requirements – Noncompliance/Material Weakness

Finding Number:	2023-002
Assistance Listing Number and Title:	AL # 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award Identification Number / Year:	316400072 / 2023
Federal Agency:	U.S. Department of Treasury
Compliance Requirement:	Procurement
Repeat Finding from Prior Audit?	No

2 CFR 1201.1 gives regulatory effect to **2 CFR §200.320** that states that the non-Federal entity must have and use documented procurement procedures, consistent with the standards of **2 CFR §200.320, 200.317, 200.318, and 200.319**. Furthermore, **2 CFR §200.320(a)(2)** states that "small purchases are the acquisition of property or services, the aggregate dollar amount of which is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity."

Additionally, the County established the "**Federal Procurement Policy**" through Resolution # 2018-868 which states "for all procurements of \$15,000 and greater, the purchaser should obtain documentation verifying that the purchase price is fair and reasonable. Price analysis and cost analysis are the two primary techniques used to accomplish this purpose.

1. Price Analysis: Comparison of prices of multiple bids or information from other sources, such as established catalog or market prices or prices for similar past purchases.
2. Cost Analysis: Evaluation of the separate elements (e.g., labor, materials, etc.) that make up a contractor's total cost proposal or price (for both new contracts and modifications) to determine if they are allowable, directly related to, the requirement and reasonable for the value received.

A price analysis should always be performed and documented; under certain circumstances, while a cost analysis also needs to be performed and documented (cost analysis is always required if payment is based in whole or in part on reimbursement of costs, and it may also be required for other contract types when there is not adequate price competition).

The County did not follow their established policy which results in errors noted during testing of federal procurement requirements. During testing of the 2023 AL # 21.027 Coronavirus State and Local Fiscal Recovery Funds, for one of six procurements selected for testing (17%), which exceeded the micro-purchase threshold but did not exceed the small purchase threshold, the County could not provide documentation supporting that they obtained price or rate quotations from an adequate number of qualified sources.

KNOX COUNTY

SCHEDULE OF FINDINGS (continued)

2 CFR § 200.515

DECEMBER 31, 2023

3. FINDINGS FOR FEDERAL AWARDS (continued)

2. Federal Procurement Requirements – Noncompliance/Material Weakness (continued)

Failure to follow the County's internal policies and failure to adhere to the requirements of 2 CFR §200.320 could result in unallowable purchases, misuse of public funds, or questioned costs related to federal monies.

The County should ensure they are following both their internal policies and Federal formal procurement methods when purchases fall within the small purchase threshold.

Officials' Response: See corrective action plan.