

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

To the Board of County Commissioners
Yellowstone County
Billings, Montana

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 statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Yellowstone County, Montana (the County), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 25, 2021.

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) to determine the 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 entity'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item #2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County’s financial statements are 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; 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*.

County’s Response to Findings

The County’s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County’s response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Billings, Montana
January 25, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of County Commissioners
Yellowstone County
State of Montana

Report on Compliance on Major Federal Program

We have audited Yellowstone County, State of Montana's (the 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 the County's major federal programs for the year ended June 30, 2020. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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 a 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



Billings, Montana
January 25, 2021

YELLOWSTONE COUNTY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Page 1 of 2)

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through/ Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Program Balance 06/30/19</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>	<u>Program Balance 06/30/20</u>	
U.S. Department of Treasury								
<u>Direct Programs:</u>								
Equitable Sharing Program	21.016	N/A	N/A	8,811	95,743	9,165	95,389	
Total U.S. Department of Treasury				\$0	\$8,811	\$95,743	\$9,165	\$95,389
U.S. Department of Justice								
<u>Direct Programs:</u>								
Emergency Equipment Enhancements for City and County (JAG Sub-grant from City of Billings)	16.738	2019-H3833-MT-DJ	13,142	0	13,142	13,142	0	
Coronavirus Emergency Supplemental Funding - Alternatives	16.034	20-CV01-92647	20,025	0	20,025	20,025	0	
Coronavirus Emergency Supplemental Funding - Sheriff's office	16.034	2020-VD-BX-0361	42,343	0	31,120	31,120	0	
			\$75,510	\$0	\$64,287	\$64,287	\$0	
<u>Passed through State Board of Crime Control:</u>								
Yellowstone County Victim Witness Program AT30	16.575	16-V88-92054	210,202	0	18,293	18,293	0	
VOCA- AT31	16.575	17-V01-92077	28,701	0	28,701	28,701	0	
VAWA Alternatives JC1	16.588	18-W06-92519	44,452	0	36,779	36,779	0	
VWP AT34	16.575	18-V01-92533	105,101	0	97,304	97,304	0	
Total U.S. Department of Justice			\$388,456	\$0	\$181,077	\$181,077	\$0	
U.S. Department of Housing & Urban Development								
<u>Passed through State Department of Commerce</u>								
Community Development Block Grant/Comprehensive Development Plan for MetraPark	14.228		45,000	0	0	0	0	
Total U.S. Department of Housing & Urban Development			\$45,000	\$0	\$0	\$0	\$0	
U.S. Election Assistance Commission								
<u>Passed through Secretary of State</u>								
HAVA	90.404	N/A	13,600	0	13,600	13,600	0	
			0	0	0	0	0	
Total U.S. Election Assistance Commission			\$13,600	\$0	\$13,600	\$13,600	\$0	
U.S. Department of Health and Human Services								
<u>Passed through State Department of Health and Human Services</u>								
Foster Care Title IV-E	93.658		N/A	0	251,020	251,020	0	
Total U.S. Department of Health and Human Services				\$0	\$0	\$251,020	\$251,020	\$0

The accompanying notes are an integral part of this schedule.

**YELLOWSTONE COUNTY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Page 2 of 2)**

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through/ Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Program Balance 06/30/19</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>	<u>Program Balance 06/30/20</u>
U.S Department of Homeland Security							
<u>Passed through State Department of Military Affairs, DES Division</u>							
FY20 Emergency Mgt Performance Grant (EMPG) Yellowstone	97.042	19-20 EMPG Yellowstone	148,710	0	122,640	122,640	0
CARES	21.019	N/A	2,112,352	0	2,112,351	2,112,351	0
FEMA- COVID19	97.036		0	0	0	0	0
FEMA- Pre-Disaster Mitigation Planning ES62	97.047	PDMC-PL-08-MT-2016-003	3,500	0	3,500	3,500	0
Homeland Security- Portable Interoperable Communications ES67	97.067	EMW-2018-SS-00021	57,818	0	57,817	57,817	(0)
State Homeland Security Program SH66	97.067	EMW-2019-SS-00010	438,205	0	438,205	438,205	0
Total U.S. Department of Homeland Security			\$2,760,585	\$0	\$2,734,513	\$2,734,513	\$0
U.S. Department of Interior							
<u>Passed through State Department of Natural Resources & Conservation</u>							
Volunteer Fire Assistance Program Sub Award	10.664	VFA-20-560	9,900	0	9,900	9,900	0
Sub-Total CFDA Number 10.664			9,900	0	9,900	9,900	0
<u>Direct Programs</u>							
BLM-Community Assistance	15.228	L19AC00062	46,322	0	50	50	0
BLM Noxious Weed Control	15.230	L17AC00054	27,500	0	5,955	5,955	0
Taylor Grazing	N/A	N/A	N/A	0	278	278	0
Bankhead Jones	N/A	N/A	N/A	0	3,450	3,450	0
			73,822	0	9,733	9,733	0
Total U.S Department of Interior			\$83,722	\$0	\$19,633	\$19,633	\$0
Environmental Protection Agency							
<u>Passed through Montana Department of Agriculture</u>							
			0	0	0	0	0
Total Environmental Protection Agency			\$0	\$0	\$0	\$0	\$0
TOTAL FEDERAL AWARDS			\$3,366,873	\$8,811	\$3,359,873	\$3,273,295	\$95,389

The accompanying notes are an integral part of this schedule.

YELLOWSTONE COUNTY, MONTANA
Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020
Page 1 of 2

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Yellowstone County, Montana (County) under programs of the federal government for the year ended June 30, 2020. The information in this schedule 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. 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

The County has elected not to use the 10 percent minimis indirect cost rate in Sec. 200.414 Indirect Costs under Uniform Guidance.

(4) Relationship to General Purpose Financial Statements

Federal awards revenues are reported in the County's general purpose financial statements as follows:

	Federal Awards <u>Revenues</u>	State & Local Intergovernmental <u>Revenues</u>	Total Intergovernmental <u>Revenues</u>
General Fund	\$878,212	\$1,193,899	\$2,072,111
Road Fund	\$3,450	\$3,004,918	\$3,008,368
Property and Liability Insurance Fund	\$0	\$36,760	\$36,760
Public Safety Fund	\$13,142	\$381,356	\$394,498
Nonmajor Governmental Funds	\$2,465,069	\$1,634,526	\$4,099,595
	\$3,359,873	\$6,251,459	\$9,611,332

YELLOWSTONE COUNTY, MONTANA
Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Page 2 of 2

(5) Matching Funds

In accordance with the terms of the grants, the County has expended cash and in-kind matching contributions during the year ended June 30, 2020 for the following programs:

	<u>Grant Number</u>	<u>Amount</u>
<u>US Department of Justice</u>		
VOCA- CAC AT31	17-V01-92077	\$ 7,035
VAWA Alternatives JC1	18-W06-92519	\$ 7,678
Yellowstone County Victim Witness Program AT34	18-V01-92533	\$ 24,326
		<u>\$ 39,039</u>
<u>US Department of Homeland Security</u>		
FEMA- Pre-Disaster Mitigation Planning ES62	PDMC-PL-08-MT-2016-003	\$ 2,666
FEMA-COVID 19	N/A	\$ 8,125
FY20 Emergency Mgt Performance Grant (EMPG) Yellowstone	19-20 EMPG Yellowstone	\$ 122,640
		<u>\$ 133,431</u>
<u>US Department of Interior</u>		
Volunteer Fire Assistance Program Sub Award	VFA-20-560	\$ 900
BLM-Community Assistance	L19AC00062	\$ -
		<u>\$ 900</u>
<u>Total Matching on Federal Expenditures</u>		<u>\$ 173,369</u>

YELLOWSTONE COUNTY, STATE OF MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)	No

YELLOWSTONE COUNTY, STATE OF MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2020

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
#21.019	Coronavirus Relief Fund

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 Finding

Financial Statement Findings

#2020-001 Segregation of Duties at the Metra

Condition and Context: As a result of our analysis of the Metra’s internal controls, we noted that there is not adequate separation of duties between receipting, depositing, and reviewing cash and check deposits. Additionally, the Metra does not have its accounting processes and related controls formally documented.

Criteria: Cash handling duties and bank reconciliation review should be separated among different positions within the Metra. The individual preparing deposits should not be the same person that is reconciling or reviewing the bank accounts. Additionally, accounting policies and procedures should be documented for consistency in accounting.

Effect: The lack of segregation of duties over handling cash receipts could result in hidden errors, misappropriation of cash, and/or inappropriate accounting over cash receipts.

Cause: The Metra’s current processes and controls over cash receipting are insufficient to quickly identify errors or misappropriation of assets. Additionally, the Metra does not have its accounting processes and related controls formally documented.

YELLOWSTONE COUNTY, STATE OF MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2020

Section II – Financial Statement Finding (Continued)

#2020-001 Segregation of Duties at the Metra (Continued)

Recommendation: We recommend that the Metra analyze and formally document its accounting processes and related controls. We recommend that the Metra establish adequate segregation of duties over the receipting and depositing process and ensure that someone independent from the receipting and depositing process prepare the bank reconciliation.

Client Response: After initial discussion with Anderson ZurMuehlen on these related issues, the County commenced revisions, updates and expansions of systems and procedures in these areas. As of this writing, we believe that we have addressed the separation of duties concerns, and the Finance Director is working with Metra Finance staff to finalize draft accounting processes and related controls.

Federal Award Findings and Questioned Costs

None Reported.

Prior Year Financial Statement Findings

#2019-001 Presentation of Net Position – Status of Prior Year Finding:

Yellowstone County has fully implemented the recommendation. There were no findings for the June 30, 2020 audit related to this matter.

Prior Year Federal Award Findings and Questioned Costs

None Reported.