

## IV. SINGLE AUDIT SECTION

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, 2021, 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, 2022.

**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 #2021-001 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, 2022

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, 2021. 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, 2021.

***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.

*Anderson Zurmuehlen & Co, P.C.*

Billings, Montana  
January 25, 2022

**YELLOWSTONE COUNTY, MONTANA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**  
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<b>Federal Grantor / Pass-Through Grantor / Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through/ Grantor's Number</b>	<b>Program or Award Amount</b>	<b>Program Balance 06/30/20</b>	<b>Federal Revenues</b>	<b>Federal Expenditures</b>	<b>Program Balance 06/30/21</b>
<b>U.S. Department of Treasury</b>							
<b>Direct Programs:</b>							
Equitable Sharing Program	21.016	N/A	N/A	95,389	11,953	0	107,342
Coronavirus State and Local Fiscal Recovery Funds COVID-19	21.027	N/A	15,665,317	0	0	0	0
<b>Total U.S. Department of Treasury</b>			<b>\$15,665,317</b>	<b>\$95,389</b>	<b>\$11,953</b>	<b>\$0</b>	<b>\$107,342</b>
<b>U.S. Department of Justice</b>							
<b>Direct Programs:</b>							
2020 Byrne Justice Assistance Grant (JAG)	16.738	2020-H8017-MT-DJ	13,135	0	13,135	13,135	0
Special Assistant US Attorney	16.751	2020-DG-BX-K003	216,755	0	47,437	47,437	0
Coronavirus Emergency Supplemental Funding - Sheriff's office	16.034	2020-VD-BX-0361	42,343	0	11,223	11,223	0
			<b>\$272,233</b>	<b>\$0</b>	<b>\$71,795</b>	<b>\$71,795</b>	<b>\$0</b>
<b>Passed through State Board of Crime Control:</b>							
DV Court Exploratory Project	16.588	18-W06-92519	44,452	0	7,248	7,248	0
Domestic Violence Implementation Program	16.588	20-W06-92716	29,871	0	14,457	14,457	0
Yellowstone County Victim Witness Program	16.575	20-V01-92575	92,051	0	107,320	107,320	0
Yellowstone County Victim Witness Program	16.575	18-V01-92533	128,848	0	0	0	0
<b>Total U.S. Department of Justice</b>			<b>\$295,222</b>	<b>\$0</b>	<b>\$129,025</b>	<b>\$129,025</b>	<b>\$0</b>
<b>U.S. Department of Housing &amp; Urban Development</b>							
<b>Passed through State Department of Commerce</b>							
Community Development Block Grant/Comprehensive Development Plan for MetraPark	14.228	MT-CDBG-PL-18-29	45,000	0	45,000	45,000	0
<b>Total U.S. Department of Housing &amp; Urban Development</b>			<b>\$45,000</b>	<b>\$0</b>	<b>\$45,000</b>	<b>\$45,000</b>	<b>\$0</b>
<b>U.S. Election Assistance Commission</b>							
<b>Passed through Secretary of State</b>							
HAVA	90.404	N/A	66,861	0	66,861	66,861	0
<b>Total U.S. Election Assistance Commission</b>			<b>\$66,861</b>	<b>\$0</b>	<b>\$66,861</b>	<b>\$66,861</b>	<b>\$0</b>
<b>U.S. Department of Health and Human Services</b>							
<b>Passed through State Department of Health and Human Services</b>							
Foster Care Title IV-E	93.658		N/A	0	288,628	288,628	0
<b>Total U.S. Department of Health and Human Services</b>			<b>\$0</b>	<b>\$0</b>	<b>\$288,628</b>	<b>\$288,628</b>	<b>\$0</b>

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, 2021**  
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<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 06/30/20</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>	<u>Program Balance 06/30/21</u>
<b>U.S Department of Homeland Security</b>							
<b>Passed through State Department of Military Affairs, DES Division</b>							
FY21 Emergency Mgt Performance Grant (EMPG) Yellowstone	97.042	20-21 EMPG Yellowstone	137,807	0	130,705	130,705	0
CARES	21.019	N/A	0	0	4,440,824	4,440,824	0
FEMA- COVID19	97.036	N/A	0	0	93,377	93,377	0
Homeland Security- Cyber Security	97.067	EMW-2020-SS-00018	75,000	0	38	38	0
<b>Total U.S. Department of Homeland Security</b>			<b>\$212,807</b>	<b>\$0</b>	<b>\$4,664,944</b>	<b>\$4,664,944</b>	<b>\$0</b>
<b>U.S. Department of Interior</b>							
<b>Passed through State Department of Natural Resources &amp; Conservation</b>							
Volunteer Fire Assistance Program Sub Award	10.664	RFC-21-560	11,000	0	11,000	11,000	0
			<b>11,000</b>	<b>0</b>	<b>11,000</b>	<b>11,000</b>	<b>0</b>
<b>Direct Programs</b>							
BLM-Community Assistance	15.228	L19AC00062	46,322	0	35,653	35,653	0
BLM Noxious Weed Control	15.230	L17AC00054	27,500	0	2,301	2,301	0
Taylor Grazing	N/A	N/A	N/A	0	446	446	0
Bankhead Jones	N/A	N/A	N/A	0	2,274	2,274	0
			<b>73,822</b>	<b>0</b>	<b>40,674</b>	<b>40,674</b>	<b>0</b>
<b>Total U.S. Department of Interior</b>			<b>\$84,822</b>	<b>\$0</b>	<b>\$51,674</b>	<b>\$51,674</b>	<b>\$0</b>
<b>Environmental Protection Agency</b>							
<b>Passed through Montana Department of Agriculture</b>							
			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Environmental Protection Agency</b>			<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL FEDERAL AWARDS</b>			<b>\$16,642,262</b>	<b>\$95,389</b>	<b>\$5,329,880</b>	<b>\$5,317,927</b>	<b>\$107,342</b>

The accompanying notes are an integral part of this schedule.

State Revenue	<u>7,501,746</u>
Matches Revenue Report	<u>12,831,626</u>
	12,831,626

**YELLOWSTONE COUNTY, MONTANA**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2021**  
**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, 2021. 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:

	<b>Federal Awards Revenues</b>	<b>State &amp; Local Intergovernmental Revenues</b>	<b>Total Intergovernmental Revenues</b>
General Fund	\$4,964,149	\$1,549,271	\$6,513,420
Road Fund	\$2,274	\$3,097,249	\$3,099,523
Emergency Levy- COVID	\$0	\$0	\$0
Property and Liability Insurance Fund	\$0	\$38,009	\$38,009
Public Safety Fund	\$13,135	\$451,186	\$464,321
Nonmajor Governmental Funds	\$350,322	\$2,252,977	\$2,603,299
	<b>\$5,329,880</b>	<b>\$7,388,692</b>	<b>\$12,718,572</b>



**YELLOWSTONE COUNTY, MONTANA**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2021**

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**(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, 2021 for the following programs:

	<u>Grant Number</u>	<u>Amount</u>
<b><u>US Department of Justice</u></b>		
DV Court Exploratory Project	18-W06-92519	\$ 9,606
Domestic Violence Implementation Program	20-W06-92716	\$ 5,087
Yellowstone County Victim Witness Program	18-V01-92717	\$ 26,913
Yellowstone County Victim Witness Program	20-V01-92575	\$ -
		<b><u>\$ 41,606</u></b>
<b><u>US Department of Homeland Security</u></b>		
Homeland Security- Cyber Security	EMW-2020-SS-00018	\$ -
FEMA-COVID 19	N/A	\$ 15,458
FY20 Emergency Mgt Performance Grant (EMPG) Yellowstone	20-21 EMPG Yellowstone	\$ 130,705
		<b><u>\$ 146,163</u></b>
<b><u>US Department of Interior</u></b>		
Volunteer Fire Assistance Program Sub Award	RFC-21-560	\$ 1,100
BLM-Community Assistance	L19AC00062	\$ 18,705
		<b><u>\$ 19,805</u></b>
<b><u>US Department of Housing &amp; Urban Development</u></b>		
Community Development Block Grant	MT-CDBG-PL-18-29	\$ 15,000
		<b><u>\$ 15,000</u></b>
		<b><u>\$ 207,574</u></b>

**Total Matching on Federal Expenditures**

YELLOWSTONE COUNTY, STATE OF MONTANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2021

**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? Yes

**Section II – Financial Statement Finding**

**Financial Statement Findings**

**#2021-001 Year end closing entries**

*Condition and Context:* Audit adjustments were proposed to defer revenue for ARPA funding until the conditions for the grant had been met and to adjust on-behalf revenue in the funds to the reporting date for pensions from the measurement date.

*Criteria:* Generally accepted accounting principles require grant revenue to be recognized when all the conditions of the grant are met and requires on-behalf revenue for pensions to be recorded at the reporting date for the funds and at the measurement date for the Government Wide statements.

*Effect:* Grant revenue was overstated by \$15,665,317 and deferred revenue was understated by the same amount. On-behalf revenue was overstated by \$755,957 and pension expense was overstated by the same amount. The proposed audit adjustments were accepted by management and recorded to the general ledger so the correct amounts are reflected in these financial statements.

*Cause:* Unusual grant activity because of COVID-19 funding and the treatment of grant recording for generally accepted accounting principles. For the on-behalf payments, the difference in the past between the measurement date and the reporting date was immaterial. Management reached out for help on recording this large difference, but there was a misunderstanding on the information provided.

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

**Section II – Financial Statement Finding (Continued)**

**#2021-001 Year end closing entries (Continued)**

*Recommendation:* We recommend management continue to reach out for guidance on recording unusual transactions at year end when they occur.

*Client Response:* Yellowstone County will report grant funding as deferred revenue and recognize the revenue when conditions are met and will use the reporting date for on-behalf revenue for pensions in our fund-level statements.

**Federal Award Findings and Questioned Costs**

**None Reported.**

**Prior Year Financial Statement Findings**

**#2020-001 Segregation of Duties at the Metra – Status of Prior Year Finding:**

Yellowstone County has fully implemented the recommendation. There were no findings for the June 30, 2021 audit related to this matter.

**Prior Year Federal Award Findings and Questioned Costs**

**None Reported.**