



Federal Awards Reports in Accordance
with the Uniform Guidance
June 30, 2023

Douglas County, Nevada

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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 Commissioners and Audit Committee
Douglas County, Nevada

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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Douglas County, Nevada (County), as of and for the year ended June 30, 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 November 30, 2023. Our report includes an emphasis of matter related to the County’s adoption of the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Our report also includes an emphasis of matter, describing the County’s restatement of beginning net position/fund balance for the recognition of the opioid legal settlement as of June 30, 2022.

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 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. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001 that we consider to be a material weakness.

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*.

The County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 result 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.

A handwritten signature in cursive script that reads "Esde Sallly LLP".

Sacramento, California
November 30, 2023



Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Honorable Board of Commissioners and Audit Committee
Douglas County, Nevada

Report on Compliance for the Major Federal Program

Qualified Opinion

We have audited Douglas County, Nevada’s (County) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the County’s major federal program for the year ended June 30, 2023. The County’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Coronavirus State and Local Fiscal Recovery Funds

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2023.

Basis for Qualified Opinion

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.

Matter Giving Rise to Qualified Opinion on Coronavirus State and Local Fiscal Recovery Funds

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding Assistance Listing No. 21.027 Coronavirus State and Local Fiscal Recovery Funds as described in finding numbers 2023-002 for Reporting.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

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 controls 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 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. We consider the deficiency in internal controls over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002 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 findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise County's basic financial statements. We issued our report thereon dated November 30, 2023, which contained unmodified opinions on those financial statements. Our report includes an emphasis of matter related to the County's adoption of the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Our report also includes an emphasis of matter, describing the County's restatement of beginning net position/fund balance for the recognition of the opioid legal settlement as of June 30, 2022. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information 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.



Sacramento, California
December 15, 2023

Douglas County, Nevada
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Direct/ Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
U.S. Department of Agriculture				
Passed through State of Nevada Department of Agriculture				
Child Nutrition Cluster:				
National School Lunch Program - Supply Chain Assistance Funds	10.555	N/A	\$ 10,634	\$ -
National School Lunch Program - FY20 NSLP China Spring School Meals	10.555	NSLP 2016-36 NSLP 2016-37	56,995	-
Subtotal Child Nutrition Cluster			<u>67,629</u>	<u>-</u>
Direct Program				
Cooperative Fire Protection Agreement - US Forest - Humboldt Toyabe Patrol	10.703	N/A	2,311	-
Passed through Cooperative Fire Agreement				
Cooperative Fire Protection Agreement - US Forest - Lake Tahoe	10.703	22-LE-11051360- 013	5,000	-
Subtotal Cooperative Fire Protection Agreement			<u>7,311</u>	<u>-</u>
Passed through the State of Nevada Department of Transportation				
Special Evaluation Assistance for Rural Communities and Households - NSLP Equipment	10.759	FND22EQ01	19,264	-
Passed through Forest Services				
Forest Service Schools and Roads Cluster: National Forest Distribution	10.665	N/A	11,000	-
Total U.S. Department of Agriculture			<u>105,204</u>	<u>-</u>
U.S. Department of Housing and Urban Development				
Direct Programs				
Community Development Block Grants, (CDBG) - Entitlement Grants Cluster: HUD Food Closet	14.218	APP 366652	41,623	-
Total U.S. Department of Housing and Urban Development			<u>41,623</u>	<u>-</u>
U.S. Department of Interior				
Passed through State of Nevada Department of Wildlife				
Fish and Wildlife Cluster:				
Sport Fish Restoration - Topaz Break Water	15.605	SG21-07	42,039	-
Total U.S. Department of Interior			<u>42,039</u>	<u>-</u>
U.S. Department of Justice				
Passed through State of Nevada Office of Attorney General				
Violence Against Women Formula Grants	16.588	2021-VAWA-14	27,732	-

Douglas County, Nevada
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Direct/ Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
U.S. Department of Justice (continued)				
Direct Programs				
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589	2017-WR-AX-0014	\$ 248,833	\$ -
Public Safety Partnership and Community Policing Grants	16.710	15X0406	4,566	-
Passed through Edward Byrne Memorial JAG Program				
Edward Byrne Memorial Justice Assistance Grant Program - Tri-Net	16.738	21-JAG-03	20,620	-
Edward Byrne Memorial Justice Assistance Grant Program - Tri-Net	16.738	22-JAG-03	21,176	-
Passed through State of Nevada Department of Public Safety				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	21-JAG-04	11,179	-
Subtotal Edward Byrne Memorial Justice Assistance Grant Program			52,975	-
Total U.S. Department of Justice			334,106	-
U.S. Department of Transportation				
Direct Programs				
COVID-19 - Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Acts Programs - Airport Snow Plow BIL	20.106	MEV-WPG-3-32- 0013-041-2022	131,507	-
Passed through State of Nevada Department of Public Safety				
Emergency Management				
Highway Planning and Construction - Martin Slough Shared Use Path	20.205	2015-11	520,562	-
Passed through Nevada Department of Transportation				
Highway Planning and Construction - Town of Gardnerville NDOT 395 - Crosswalk Improvements	20.205	PR056-15-063	13,526	-
Subtotal Highway Planning and Construction			534,088	-
Formula Grants for Rural Areas and Tribal Transit Program - FTA Section 5311 DART				
	20.509	PR387-21-802	524,882	-
Passed through State of Nevada Department of Public Safety				
Highway Safety Cluster:				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated - Joining Forces Grant	20.608	N/A	13,239	-
Total U.S. Department of Transportation			1,203,716	-

Douglas County, Nevada
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Direct/ Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
U.S. Department of Treasury				
Direct Programs				
COVID-19 Coronavirus State and Local Fiscal Recovery Fund	21.027	N/A	\$ 1,297,159	\$ 637,326
COVID-19 Coronavirus State and Local Fiscal Recovery Funds - China Spring	21.027	N/A	45,000	-
Subtotal COVID-19 Coronavirus State and Local Fiscal Recovery Funds			1,342,159	637,326
Passed through State of Nevada Department of Wildlife Local Assistance and Tribal Consistency Fund	21.032	N/A	113,731	-
Total U.S. Department of Treasury			1,455,890	637,326
Institute of Museum And Library Services				
Direct Programs				
Grants to States - Tahoe Library	45.310	2022-08	5,900	-
Passed through the Institute of Museum & Library Sciences Digital Collection Library	45.310	APP-000096	16,200	-
Passed through Nevada State Library Archives and Public Records COVID-19 - Library Services and Technology Act, (LSTA) - ARPA	45.310	LS-250224-OLS-21	6,254	-
Total Institute of Museum And Library Services			28,354	-
U.S. Environmental Protection Agency				
Passed through State of Nevada Environmental Protection Nonpoint Source Implementation Grant - NonPoint Source Pollution	66.460	DEPS 21-033	9,703	-
Passed through Nevada Department of Conservation & Water Resources Drinking Water State Revolving Fund: Drinking Water State Revolving Fund - Cave Rock Loan #DW2109	66.468	FS-99996021-0	2,590,338	-
Drinking Water State Revolving Fund - Cave Rock Loan #DW2109	66.468	FS-99996022-0	127,810	-
Subtotal Drinking Water State Revolving Fund			2,718,148	-
Total U.S. Environmental Protection Agency			2,727,851	-

Douglas County, Nevada
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Direct/ Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
U.S. Department of Health and Human Services				
Direct Program				
Aging Cluster:				
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	04-000-07-1H1-22	\$ 31,962	\$ -
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	04-000-04-24-22	10,067	-
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	04-000-07-1H1-23	86,614	-
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	04-000-04-24-23	75,628	-
Subtotal Special Programs for the Aging, Title III, Part C, Nutrition Services			<u>204,271</u>	<u>-</u>
Nutrition Serices Incentive Program	93.053	04-000-57-NX-23 (9305323)	38,639	-
Subtotal Aging Cluster			<u>242,910</u>	<u>-</u>
Passed through Carson City, State of Nevada Department of Health and Human Services				
Family Planning Services - Title X	93.217	FPHA006449	25,254	-
Family Planning Services - Title X	93.217	FPHA006602-01-00	34,589	-
Family Planning Services - Title X	93.217	FPHA006602-01-00	8,647	-
Subtotal Family Planning Services - Title X			<u>68,490</u>	<u>-</u>
Passed through State of Nevada Department of Health and Human Services				
COVID 19 - Community Services Block Grant	93.569	9356920C	64,226	-
Community Services Block Grant	93.569	G-22-01NVCOSR	10,087	-
Community Services Block Grant	93.569	9356921 DO1271	10,555	-
Community Services Block Grant	93.569	9356923 DO1314	63,878	-
Community Services Block Grant	93.569	9356922 DO1333	3,418	-
Subtotal Community Services Block Grant			<u>152,164</u>	<u>-</u>
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93.912	N/A	8,037	-
Total U.S. Department of Health and Human Services			<u>471,601</u>	<u>-</u>
U.S. Social Security Administration				
Direct Programs				
Disability Insurance SSI Cluster:				
Social Security - Disability Insurance (DI)	96.001	N/A	4,400	-
Total U.S. Security Administration			<u>4,400</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 6,414,784</u>	<u>\$ 637,326</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Douglas County, Nevada (County) under programs of the federal government for the year ended June 30, 2023. 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* (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 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting for the governmental funds and the accrual basis of accounting for the proprietary funds, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, 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.

Note 3 - Indirect Cost Rate

The County has not elected to use the 10-percent de minimis indirect cost rate.

Note 4 - Pass-Through Entities' Identifying Number

When federal awards were received from a pass-through entity, the Schedule shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the County has determined that no identifying number is assigned for the program, or the County was unable to obtain an identifying number from the pass-through entity.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major program:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

Identification of Major Programs:

Name of Federal Program	Federal Financial Assistance Listing
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027
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 Findings

2023-001 Financial Reporting

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Criteria:

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein and for the fair presentation of the financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP). This requires management to work through the financial reporting process to accumulate, reconcile, and summarize information for inclusion in the annual financial statements. A good system of internal control contemplates an adequate system for recording and processing adjusting journal entries significant to the financial statements.

Condition found:

During the audit, we noted a prior period adjustment was recorded to the One Nevada fund to correct the recognition of revenue related to an opioid legal settlement. Accordingly, a restatement has been made to the Nevada One fund balance and Governmental Activities net position as of June 30, 2022, to correct the error.

Context:

A prior period adjustment was recorded for the correction of an error.

Effect:

A prior period adjustment was recorded to the financial statements.

Cause:

The County did not accurately detect the understatement of the opioid legal settlement receivable as of June 30, 2022.

Recommendation:

We recommend that the County implement procedures ensuring all opioid related legal settlements balances are properly recorded on the financial statements.

Views of Responsible Officials:

Management agrees with the finding. See the County's separately issued Corrective Action Plan.

Section III – Federal Award Findings and Questioned Costs

2023-002 **Program:** COVID-19 Coronavirus State and Local Fiscal Recovery Funds
Federal Financial Assistance Listing: 21.027
Federal Agency: U.S. Department of the Treasury
Passed-through: N/A
Award Year: 2022-2023

Compliance Requirement: Reporting
Grant Award Number: Applies to all awards with findings and no specific grant award.
Type of Finding: Material Instance of Noncompliance, Material Weakness in Internal Controls over Compliance.

Criteria:

Per 2 CFR 200.303, the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. This includes internal controls over maintaining records of the preparer and approver of required reports.

2 CFR 200.329(b) requires that reports submitted to the federal awarding agency include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

The County must submit an annual *Project and Expenditure Report* that contains costs incurred during the covered period.

Critical information pertaining to the annual *Project and Expenditure Report* specifically includes:

- Subawards
- Detailed information on any loans issued; contracts and grants awarded; transfers made to other government entities; and direct payments made by the recipient that are greater than \$50,000. For amounts less than \$50,000, the recipient must report in the aggregate for these same categories of loans issued; contracts and grants awarded; transfers made by the recipient.

Condition found:

As a result of audit procedures, we identified that the annual *Project and Expenditure Report* had 3 instances where the project expenditure category and subcategory was not correctly classified. The project category of, (6-Revenue Replacement) and the subcategory of, (6.1-Provision of Government Services) were reported for projects that were either related to capital projects or other COVID-19 related projects that would result in this being classified incorrectly within the annual report. A different classification should have been used to report these project expenditures in the annual report.

Context:

The County filed the annual *Project and Expenditure Report* under project expenditure category, (6-Revenue Replacement) and subcategory, (6.1-Provision of Government Services). We identified expenditures for subrecipient awards in the amount of \$629,387 and \$7,939, respectively, and COVID-19 economic assistance expenditures in the amount of \$60,000. All 3 instances should have been reported under a different category and subcategory in the report and not (6.1-Provision of Government Services). While the expenditures were deemed to be allowable under the terms and conditions of the award, the expenditures were not for general government services; therefore, they were not classified correctly.

Cause:

The County's procedures did not ensure that the classification of expenditures was reported correctly in the annual *Project and Expenditure Report*.

Effect:

The County did not comply with the requirements of 2 CFR 200.303 and inaccurate information was reported to the federal awarding agency.

Repeat Finding from Prior Year(s):

This is not a repeat finding.

Recommendation:

We recommend the County enhance internal controls to ensure that the annual *Project and Expenditure Reports* are prepared in accordance with program requirements.

Views of Responsible Officials and Corrective Action:

Management agrees. See the County's separately issued Corrective Action Plan.

Summarized below is the current status of all audit findings reported in the prior year audit’s schedule of audit findings and questioned costs.

Finding No.	Program Name/Description	CFDA No.	Compliance Requirement	Status of Corrective Action
2022-001	Review of Financial System User Roles	N/A	N/A	Implemented
2022-002	Capital Assets (Repeat Finding)	N/A	N/A	Implemented
2022-003	Budget	N/A	N/A	Implemented
2022-004	Budget Monitoring	N/A	N/A	Implemented
2022-005	Town of Gardnerville - Generation Process	N/A	N/A	Implemented
2022-006	Town of Gardnerville - Accounts Payable Vouchers	N/A	N/A	Implemented