

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAWRENCE COUNTY, INDIANA

January 1, 2013 to December 31, 2013



**FILED**  
11/26/2014



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
County Auditor:	
Federal Finding:	
Finding 2013-001 - Internal Controls Over the Schedule of Expenditures of Federal Awards .....	6-7
Corrective Action Plan .....	8
Audit Results and Comments:	
Appropriations .....	9
Additional Appropriations .....	9
Official Response.....	10
Exit Conference .....	11
County Sheriff:	
Audit Result and Comment:	
Commissary Reimbursements .....	14
Official Response.....	15
Exit Conference .....	16

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Jody Edwards	01-01-13 to 12-31-16
Treasurer	Paula R. Stewart	01-01-13 to 12-31-16
Clerk	Myron D. Rainey	01-01-13 to 12-31-16
Sheriff	Samuel J. Craig	01-01-11 to 12-31-14
Recorder	Jessica Allen	01-01-13 to 12-31-16
President of the Board of County Commissioners	William Spreen David Flinn	01-01-13 to 12-31-13 01-01-14 to 12-31-14
President of the County Council	Eugene K. McCracken Jason Mullis	01-01-13 to 12-31-13 01-01-14 to 12-31-14



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF LAWRENCE COUNTY, INDIANA

This report is supplemental to our audit report of Lawrence County (County), for the period from January 1, 2013 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Finding, identified in the above referenced audit report, is included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Finding and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

September 23, 2014

(This page intentionally left blank.)

COUNTY AUDITOR  
LAWRENCE COUNTY

COUNTY AUDITOR  
LAWRENCE COUNTY  
FEDERAL FINDING

***FINDING 2013-001 - INTERNAL CONTROLS OVER THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The County did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The County should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: state grants were included, not all federal grants were listed, not all CFDA numbers were provided, program titles were not always correct, and expenditures for some federal grants were incorrect. The SEFA was understated by \$581,172 for grants not reported on the SEFA and overstated by \$606,145 for grants that should not have been included or reported the incorrect amount. Net audit adjustments of \$24,973 were proposed, accepted by the County, and made to the SEFA presented in this report.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

COUNTY AUDITOR  
LAWRENCE COUNTY  
FEDERAL FINDING  
(Continued)

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."



LIMESTONE CAPITAL OF THE WORLD

OFFICE OF  
AUDITOR OF LAWRENCE COUNTY  
JODY EDWARDS  
916 15<sup>TH</sup> STREET, SUITE 28  
BEDFORD, INDIANA 47421

Corrective Action Plan  
Finding 2013-001 Internal Controls Over the Schedule of Expenditures of Federal Awards (SEFA)  
Jody Edwards  
Auditor  
Ph 812-275-3111  
Expected Completion Date: We have implemented the procedures immediately.

Corrective Actions:

The Federal Programs were reported in the Annual Report. The bookkeeper has been keeping a spreadsheet with the Federal Grants with CFDA's on it to prevent these funds from not showing in the correct portion of the Annual Report. We are requiring a grant award summary with each grant. We have been sending notices to all offices informing them that we must have correct CFDA numbers and award amounts for each grant. We have made great strides in correcting problems with grant reporting, however, we can only report what is reported to our office. We are still having problems with receiving information on the EFT's specifying what grant the funds are for, and also receiving information from the county offices to help identify these grants. We are working on this, and hopeful that this will improve.

Sincerely,

Jody Edwards  
Lawrence County Auditor

COUNTY AUDITOR  
LAWRENCE COUNTY  
AUDIT RESULTS AND COMMENTS

**APPROPRIATIONS**

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Excess Amount Expended
Aviation	\$ 2,103
Emergency Management	786

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

**ADDITIONAL APPROPRIATIONS**

Numerous cash transfers were made between funds during the year. The amount of the transfer that was receipted to the fund was also posted to the fund's budget as an additional appropriation. In addition, when a fund received "unexpected" revenue not originally included in the budget estimate, that amount was also posted as an additional appropriation. Proper budgeting procedures were not being followed.

Indiana Code 6-1.1-18-5(a) states:

"If the proper officers of a political subdivision desire to appropriate more money for a particular year than the amount prescribed in the budget for that year as finally determined under this article, they shall give notice of their proposed additional appropriation. The notice shall state the time and place at which a public hearing will be held on the proposal. The notice shall be given once in accordance with IC 5-3-1-2(b)."

Indiana Code 6-1.1-18-5(b) states in part:

"If the additional appropriation by the political subdivision is made from a fund that receives:

- (1) distributions from the motor vehicle highway account established under IC 8-14-1-1 or the local road and street account established under IC 8-14-2-4; or
- (2) revenue from property taxes levied under IC 6-1.1; the political subdivision must report the additional appropriation to the department of local government finance."

Indiana Code 6-1.1-18-5(d) states:

"A political subdivision may make an additional appropriation without approval of the department of local government finance if the additional appropriation is made from a fund that is not described under subsection (b). However, the fiscal officer of the political subdivision shall report the additional appropriation to the department of local government finance."



OFFICE OF  
AUDITOR OF LAWRENCE COUNTY

916 15TH STREET, SUITE 28  
BEDFORD, INDIANA 47421

September 23, 2014  
Response to Audit Results and Comments  
Period Examined 1-1-13 to 12-31-13  
Date of Conference: September 23, 2014  
County Auditor Office

Official Response

Additional Appropriations – County Auditor

“Numerous cash transfers were made between funds during the year.” This was a comment in the exit conference. It was my understanding that when an amount was transferred to another fund, as a reimbursement, this was totally acceptable. Many of these transactions were reimbursements that were deposited into the actual line of appropriation. This is not a new practice. This has been a common practice in the Auditor’s Office for many years, and each year has been audited by the State Board of Accounts, and never had a finding, or a comment. Also, it was stated that Aviation and Emergency Management Budgets were overspent. I want to make it clear that these **funds** were not overspent. These budgets were overspent simply due to reimbursements being deposited into the appropriation lines. IC 6-1.1-18-19 sec 9 states that we may reappropriate money recovered from erroneous or excessive disbursements if the error and recovery are made within the current year, and refund, without appropriation, money erroneously received. Therefore, it was in good faith that these funds were appropriated. However, from this date forward, our office will not allow these reimbursements, other than insurance reimbursements to be reappropriated without going through the additional process.

Sincerely,

Jody Edwards  
Lawrence County Auditor

COUNTY AUDITOR  
LAWRENCE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 23, 2014, with Jody Edwards, Auditor; David Flinn, President of the Board of County Commissioners; Craig T. Turpen, County Council member; and David A. Smith, County Attorney.

(This page intentionally left blank.)

COUNTY SHERIFF  
LAWRENCE COUNTY

COUNTY SHERIFF  
LAWRENCE COUNTY  
AUDIT RESULT AND COMMENT

**COMMISSARY REIMBURSEMENTS**

Numerous expenses were paid from the Sheriff's Commissary fund instead of from the funds in the County Auditor's Ledger, thereby circumventing the claims process. A claim was then later submitted to the County Auditor to reimburse the Sheriff's Commissary fund for these expenditures from the appropriate funds on the County Auditor's Ledger. The majority of the reimbursements were for hotels, meals, gas, and postage.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."



**OFFICE OF THE  
LAWRENCE COUNTY SHERIFF**

1420 I Street • Bedford, Indiana 47421  
Telephone: (812) 275-3316 • Fax: (812) 277-2007  
[www.LawrenceCountySheriff.com](http://www.LawrenceCountySheriff.com)

**Sam Craig**  
*Lawrence County Sheriff*

September 24, 2014  
Official Response to Audit Comments  
Period Examined 1/1/2013 to 12/31/2013  
Date of Conference: September 23, 2014

State Board of Accounts,

I understand the comments made in the exit audit. I had concerns with this issue after taking office in 2007 and was advised that there would be no credit card issued. This issue is a result of staff training and purchases made when the only method of payment would have been a credit card for the Department. It is my understanding that this issue is being reviewed.

Sincerely,

A handwritten signature in black ink, appearing to read "Sam J. Craig". The signature is fluid and cursive, with a large initial "S" and a long, sweeping underline.

Samuel J. Craig  
Lawrence County Sheriff

COUNTY SHERIFF  
LAWRENCE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 23, 2014, with Samuel J. Craig, Sheriff; Jody Edwards, Auditor; David Flinn, President of the Board of County Commissioners; Craig T. Turpen, County Council member; and David A. Smith, County Attorney.