

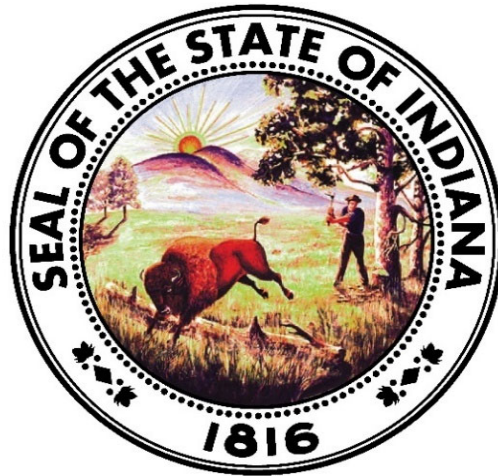
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

FEDERAL COMPLIANCE AUDIT REPORT

OF

LAWRENCE COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED

09/23/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Jessica Staggs (Vacant) Paula R. Stewart	01-01-23 to 12-31-23 01-01-24 to 01-07-24 01-08-24 to 12-31-24
County Treasurer	Jody Edwards	01-01-23 to 12-31-24
Clerk of the Circuit Court	Billie Turney Amy Voorhies (interim) Amy Voorhies	01-01-23 to 02-10-23 02-11-23 to 02-15-23 02-16-23 to 12-31-24
County Sheriff	Greg Day	01-01-23 to 12-31-24
County Recorder	Jessica Allen	01-01-23 to 12-31-24
President of the Board of County Commissioners	Dustin Gabhart Wallace Branham	01-01-23 to 12-31-23 01-01-24 to 12-31-24
President of the County Council	Jeffrey J. Lytton	01-01-23 to 12-31-24



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

TO: THE OFFICIALS OF LAWRENCE COUNTY, INDIANA

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 statement of Lawrence County (County), for the year ended December 31, 2023, and the related notes to the financial statement, which collectively comprise the County's financial statement and have issued our report thereon dated September 10, 2024, wherein we noted the County followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, 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 opinion on the financial statement, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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 were not identified. We did identify certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001, that we consider to be material weaknesses.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statement is 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, 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*.

Lawrence County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The County's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statement, 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 County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth Kelley, CPA, CFE
Deputy State Examiner

September 10, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

TO: THE OFFICIALS OF LAWRENCE COUNTY, INDIANA

Report on Compliance for the Major Federal Program

Qualified Opinion

We have audited Lawrence County's (County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 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 COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinions* 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 the COVID-19 - Coronavirus State and Local Fiscal Recovery Funds for the year ended December 31, 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 COVID-19 - 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 21.027 COVID-19 - Coronavirus State and Local Fiscal Recovery Funds, as described in item 2023-004 for Procurement and Suspension and Debarment. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

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.

Other Matters

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2023-002, 2023-003, and 2023-004, to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the County's response to the internal control over compliance findings identified in our 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

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

We have audited the financial statement of the County, as of and for the year ended December 31, 2023, and the related notes to the financial statement. We issued our report thereon dated September 10, 2024, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed for the purpose of forming an opinion on the financial statement as a whole. 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 financial statement. 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 financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, 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 financial statement as a whole.



Beth Kelley, CPA, CFE
Deputy State Examiner

September 10, 2024

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the County. The schedule and notes are presented as intended by the County.

LAWRENCE COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2023

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Justice</u>					
Crime Victim Assistance	Indiana Criminal Justice Institute	16.575			
Victim Assistance			VOCA-2022-00163	\$ -	\$ 44,716
CASA Grant			VOCA-2023-00228	-	135,315
Total - Crime Victim Assistance				-	180,031
Violence Against Women Formula Grants	Indiana Criminal Justice Institute	16.588			
Stop Grant			2020-WF-AX-0031	-	15,099
Total - Department of Justice				-	195,130
<u>Department of Transportation</u>					
Highway Safety Cluster					
State and Community Highway Safety	Indiana Criminal Justice Institute	20.600			
C.H.I.R.P.			69A3751830000405FINO	-	15,243
Total - Highway Safety Cluster				-	15,243
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	Direct Grant	20.106			
Runway Paving			3-18-0005-021-2021	-	5,000
Highway Planning and Construction	Indiana Department of Transportation	20.205			
Bridge Replacement			1600889	-	55,574
Highway Sign Grant District 2			1802904	-	39,292
Highway Sign Grant District 3			1902791	-	33,204
Bridge Replacement			2002973	-	31,527
Bridge Inspection			2100289	-	27,807
Total - Highway Planning and Construction				-	187,404
Total - Department of Transportation				-	207,647
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds		21.027			
American Rescue Plan Grant	Direct Grant		FY2023	-	2,631,190
Lead Reduction Grant	Indiana State Department of Health		FY23-24	-	6,666
Total - Department of the Treasury				-	2,637,856
<u>Department of Health and Human Services</u>					
Public Health Emergency Preparedness	Indiana State Department of Health	93.069			
Public Health Emergency Preparedness			6NU90TP922052	-	2,513
Public Health Emergency Preparedness			6NU90TP922052	-	22,319
Total - Public Health Emergency Preparedness				-	24,832

LAWRENCE COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2023

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
Immunization Cooperative Agreements Immunization and Vaccines PNFLU	Indiana State Department of Health	93.268	NH23IP922631	-	101,923
Child Support Services Clerk's Perpetuation 2000 4-D Prosecutor Prosecutor Incentive Fund Clerk Incentive Fund Child Support Indirect Cost Court Incentive Fund 2000 4-D Circuit Court 2000 4-D County Clerk	Indiana Department Of Child Services	93.563	FY2023 FY2023 FY2023 FY2023 FY2023 FY2023 FY2023 FY2023	- - - - - - - -	939 211,213 64,039 11,038 102,384 6,889 27,125 21,436
Total - Child Support Services				-	445,063
Foster Care Title IV-E Public Defender's Office CHINS Reimb Public Defender's Office CHINS Reimbursement	Indiana Public Defender Commission	93.658	0251VEFCPDAMF22 0251VEFCPDAMF22	- -	8,956 5,953
Total - Foster Care Title IV-E				-	14,909
Opioid STR Justice Partners Addictions	Indiana Supreme Court Administration	93.788	23-5JC89-C47-4	-	50,373
Total - Department of Health and Human Services				-	637,100
<u>Department of Homeland Security</u> Emergency Management Performance Grants EMPG Salary Reimbursement	Indiana Department of Homeland Security	97.042	EMC-2022-EP-00005	-	21,362
Total - Department of Homeland Security				-	21,362
Total federal awards expended				\$ -	\$ 3,699,095

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

LAWRENCE COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 2023. The information in the SEFA 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 SEFA presents only a select portion of the operations of the County, it is not intended to and does not present the financial position of the County.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

LAWRENCE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Qualified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2023-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition and Context

The internal control process is based on fundamental principles that operate as a whole but are best understood when analyzed individually. The five components basic to any internal control system are: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. Each of the five components of internal controls are necessary to form a complete internal control process.

Deficiencies, as discussed below, in the County's internal control system were noted in the Control Environment, Risk Assessment, Monitoring, and Control Activities components.

LAWRENCE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Control Environment

The County did not have formal standards, processes, and structures in place to adequately form a proper internal control environment that would have dictated the County's overall system of internal controls. Accordingly, governance and management could not properly convey leadership expectations or provide an overall accountability structure.

Risk Assessment

The County did not have a process to identify and assess internal and external risks to the achievement of objectives and then establish risk tolerances. Accordingly, there was no basis for determining how risk would be managed.

Monitoring Activities

The County did not conduct ongoing or periodic evaluations of its internal control system. As such, the County had no means by which to determine whether each of the five components of internal control was present and functioning or to make changes to existing policies and procedures as necessary.

Control Activities

The County had not designed nor implemented internal controls related to receipts, which would include proper segregation of duties. Although the County Treasurer issued the receipt and provided a copy to the County Auditor, the County Auditor issued a quietus and posted to the ledger without evidence of an oversight, review, or approval process to ensure the receipt was posted to the proper fund.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"The control environment is the basic commonality for all and comprises the integrity and ethical values of the political subdivision established by the oversight body and management. The standards, processes, and structures which form the control environment pervasively impact the overall system of internal control. The oversight body and management convey leadership expectations, and overall tone which are reinforced by all officials and management throughout the various offices and departments. The control environment also contains the overall accountability structure for all employees through performance and reward measures. Within this structure, leadership demonstrates commitment to the political subdivision by having a process for attracting, developing, and retaining competent individuals. This component is static in that its underpinnings do not generally change with a given objective. . . ."

"Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment is the process used to identify and assess internal and external risks to the achievement of objectives, and then establish risk tolerances. Each identified risk is evaluated in terms of its impact and likelihood of occurrence. Overall, risk assessment is the basis for determining how risk will be managed. . . ."

LAWRENCE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . ."

Cause

Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the County's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies. The management of the County had not conducted a risk assessment nor adequately monitored the activity related to the County's financial reporting and transactions. In addition, management of the County had not established a proper system of internal controls that would have ensured proper recording of transactions and reporting of the financial statement.

Effect

Without the proper implementation of an effectively designed system of internal controls, including policies and procedures that provide segregation of duties, monitoring, risk assessment, and additional oversight as needed, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material misstatements in a timely manner.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

FINDING 2023-002

Subject: Internal Controls over COVID-19 - Coronavirus State and Local
Fiscal Recovery Funds: American Rescue Plan Grant
Federal Agency: Department of the Treasury
Federal Program: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
Assistance Listings Number: 21.027
Federal Award Number and Year (or Other Identifying Number): FY2023
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/
Cost Principles, Period of Performance, Reporting
Audit Finding: Material Weakness

LAWRENCE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

Prior to receipt of direct Coronavirus State and Local Fiscal Recovery Funds (SLFRF) award funds, all eligible entities were required to execute a Financial Assistance Agreement (Agreement), which included the Award Terms and Conditions that recipients must comply with in carrying out the objectives of their award. Per the Agreement, the County was responsible for the effective administration of the federal award, as well as the application of sound management practices and administration of federal funds in a manner consistent with program objectives and terms and conditions of the award.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance

Recipients may use SLFRF award funds for any eligible expenses subject to the restrictions set forth in sections 602 and 603 of the Social Security Act as added by section 9901 of the American Rescue Plan Act of 2021 and amended by the Consolidated Appropriations Act of 2023. The SLFRF program provides substantial flexibility for each recipient to meet local needs within seven separate eligible use categories. Recipients may use SLFRF award funds to:

- Respond to the COVID-19 public health emergency and its negative economic impacts;
- Respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of eligible employers that have eligible workers who are performing essential work;
- Provide government services, to the extent COVID-19 caused a reduction in revenues collected in the most recent full fiscal year of the recipient;
- Make necessary investments in water, sewer, or broadband infrastructure;
- Provide emergency relief from natural disasters or their negative economic impacts;
- Fund eligible Surface Transportation projects; and
- Fund Title I projects that are eligible activities under the Community Development Block Grant and Indiana Community Development Block Grant programs.

Pursuant to the Agreement, the period of performance for the award began on the date the funds were disbursed to the County and ends on December 31, 2026. Recipients may only use funds to cover costs incurred during the period that began on June 7, 2021, and ends on December 31, 2024, for the first four eligible uses, and from December 29, 2022 to December 31, 2024, for the remaining three eligible uses. Recipients must liquidate all obligations incurred by December 31, 2024, under the award no later than September 30, 2026, for Surface Transportation and Title I projects and December 31, 2026, for all other projects.

As part of sound management of the federal award, the County was responsible for implementing a system of internal controls that would ensure compliance with the applicable requirements. The County had not properly designed or implemented such a system. There was no evidence of segregation of duties, such as an oversight, review, or approval process, that would have ensured that expenditures of award funds were made only for activities and costs that were allowable under the federal award and federal regulations and that expenditures were made only for costs incurred within the period of performance.

LAWRENCE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Reporting

Recipients are required to submit quarterly or annually Project and Expenditure (P&E) reports to the U.S. Department of the Treasury (Treasury). The reporting periods, as well as the respective due dates, are based upon type of recipient and its population, as well as recipient's allocation amount. Information to be reported includes projects funded, expenditures, and contracts for the appropriate reporting period.

The County was classified as a county with a population below 250,000 residents that received an allocation of less than \$10 million in SLFRF award funds. As such, the initial P&E report, covering the period from March 3, 2021 to March 31, 2022, was required to be submitted to the Treasury by April 30, 2022. The subsequent annual reports are to cover one calendar year and must be submitted to the Treasury by April 30 each year.

The County submitted the annual P&E report during the audit period; however, the County Auditor prepared and submitted the report without a review or oversight process in place to ensure that the reports were accurate.

The lack of internal controls was a systemic issue throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) 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. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

A proper system of internal controls was not designed by management of the County. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the County's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material non-compliance. Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions of the federal award could result in the loss of future federal funding to the County.

Questioned Costs

There were no questioned costs identified.

LAWRENCE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that management of the County design and implement a proper system of internal controls, including policies and procedures that would provide segregation of duties to ensure appropriate reviews, approvals, and oversight of federal expenditures and reports are taking place.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2023-003

Subject: Internal Controls over COVID-19 - Coronavirus State and
Local Fiscal Recovery Funds: Lead Reduction Grant
Federal Agency: Department of the Treasury
Federal Program: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
Assistance Listings Number: 21.027
Federal Award Number and Year (or Other Identifying Number): FY23-24
Pass-Through Entity: Indiana State Department of Health
Compliance Requirement: Reporting
Audit Finding: Material Weakness

Condition and Context

The County received a secondary award of Coronavirus State and Local Fiscal Recovery Funds (SLFRF) that was passed through from the Indiana State Department of Health for purposes of lead reduction in the County. The invoices submitted to the state to request reimbursement for the deliverables performed by the County were the only reports required under this portion of the SLFRF award funding.

The County submitted one invoice for reimbursement to the state during the audit period; however, one employee in the County Health Department prepared and submitted the invoice without evidence of an oversight, review, or approval process to ensure that the report was accurate.

The lack of internal controls was a systemic issue throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) 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. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

LAWRENCE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

A proper system of internal controls was not designed by management of the County. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the County's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material non-compliance. Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions of the federal award could result in the loss of future federal funding to the County.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the County design and implement a proper system of internal controls, including policies and procedures that would provide segregation of duties to ensure appropriate reviews, approvals, and oversight of federal reports are taking place.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2023-004

Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds:
American Resue Plan Grant - Suspension and Debarment

Federal Agency: Department of the Treasury

Federal Program: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

Assistance Listings Number: 21.027

Federal Award Number and Year (or Other Identifying Number): FY2023

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

Condition and Context

The County elected to receive the standard revenue loss allowance, allowing the County to claim its total COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (SLFRF) allocation of \$8,812,591 as revenue loss to use for government services. As such, all SLFRF program funds during the audit period were expended under the revenue loss eligible use category. The U.S. Department of the Treasury (Treasury) determined that there are no subawards under this eligible use category, and that recipients' use of revenue loss funds would not give rise to subrecipient relationships given that there is no federal program or purpose to carry out in the case of the revenue loss portion of the award.

LAWRENCE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Prior to entering into subawards and covered transactions with SLFRF award funds, recipients are required to verify that such contractors and subrecipients are not suspended, debarred, or otherwise excluded. "Covered transactions" include, but are not limited to, contracts for goods and services awarded under a nonprocurement transaction (i.e., grant agreement) that are expected to equal or exceed \$25,000. The verification is to be done by checking the Excluded Parties List System (EPLS), collecting a certification from that person, or adding a clause or condition to the covered transaction with that person. Due to the Treasury's determination that the revenue loss eligible use category does not give rise to subawards, the County was only required to comply with suspension and debarment requirements related to covered transactions.

Upon inquiry of the County to determine its policies and procedures related to suspension and debarment requirements, the County stated that they did not have policies or procedures in place for verifying that an entity with which it plans to enter into a covered transaction is not suspended, debarred, or otherwise excluded or disqualified from participating in federal assistance programs or activities. The County entered into covered transactions with four vendors during the audit period for goods or services that equaled or exceeded \$25,000 that were paid from SLFRF award funds. All four covered transactions, totaling \$1,661,247, were selected for testing. The County did not verify the vendors' suspension and debarment status prior to payment for any of the four vendors.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) 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. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

31 CFR 19.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the *EPLS*; or
- (b) Collecting a certification from that person if allowed by this rule; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

The County had not established a system of internal controls for suspension and debarment. The County did not verify any covered transactions identified in testing that they were not suspended or debarred prior to entering into the covered transaction.

LAWRENCE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

Without the proper implementation of an effectively designed system of internal controls, the County cannot ensure the vendors paid with federal funds are eligible to participate in federal programs. Any program funds the County used to pay vendors that have been suspended or debarred would be unallowable, and the funding agency could potentially recover them. Furthermore, noncompliance with the provisions of federal statutes, regulations, and the terms and conditions of the federal award could result in the loss of future federal funding to the County.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the County establish a proper system of internal controls and develop policies and procedures to ensure contractors, as appropriate, are not suspended, debarred, or otherwise excluded prior to entering into any contracts with those vendors.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the County. The documents are presented as intended by the County.



LIMESTONE CAPITAL OF THE WORLD

OFFICE OF
AUDITOR OF LAWRENCE COUNTY

Paula R. Stewart

916 15TH Street, Room 28

Bedford, IN 47421

812-275-3111

July 5, 2024

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2022-001

Fiscal year in which the finding initially occurred: 2022

Current Audit Period: 2023

Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

Summary of Finding:

The County had not established effective internal controls over the federal award information entered as a part of the Annual Financial Report (AFR). The County did not properly review the federal grant information prepared and submitted in Gateway. One tenured employee in the Auditor's office was responsible for obtaining all federal grant information then subsequently preparing the information to be entered into the Grant Schedule on Gateway. There was not a system in place to adequately verify the grant information after it was entered.

Status of Audit Finding:

Fully Corrected



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CORRECTIVE ACTION PLAN

FINDING 2023-001

Finding Subject: Financial Transactions and Reporting

Summary of Finding:

The County did not have formal standards, processes, and structures in place to adequately form a proper control environment that would have dictated the County's overall system of internal control. The County did not have a process to identify and assess internal and external risks to the achievement of objectives and then establish risk tolerances. The County did not conduct ongoing or periodic evaluations of its internal control system. The County had not designed, nor implemented, internal controls related to receipts, which would include proper segregation of duties. Although the County Treasurer issues the receipt and provides a copy to the County Auditor, the County Auditor issues a quietus and posts to the ledger with no documentation or other evidence of an oversight, review, or approval process to ensure the receipt was posted to the correct fund.

Contact Person Responsible for Corrective Action: Paula Stewart

Contact Phone Number and Email Address: 812-275-3111 pstewart@lawrencecounty.in.gov

Views of Responsible Officials:

We concur with the finding.

Description of Corrective Action Plan:

The County has implemented a system to provide formal standards, processes, and structures. The new system controls the environment and establishes an overall system of monitoring activities and establishing internal controls. It provides a process to identify and assess internal and external risks. The new system related to receipts includes review of each quietus issued by the County by another member of the Auditor Staff and includes proper segregation of duties.

Anticipated Completion Date:

Already completed.



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CORRECTIVE ACTION PLAN

FINDING 2023-002

Finding Subject: Internal Controls over COVID-19 – Coronavirus State and Local Fiscal Recovery Funds: American Rescue Plan Grant

Summary of Finding:

As part of sound management of the Federal award, the County was responsible for implementing a system of internal control that would ensure compliance with the applicable requirements. The County had not properly designed or implemented such a system. There was no evidence of segregation of duties, such as an oversight, review, or approval process, that would have ensured that expenditures of award funds were made only for activities and costs that were allowable under the Federal award and Federal regulations and that expenditures were made only for costs incurred within the period of performance. Additionally, the County Auditor prepared and submitted all required reports without an oversight, review, or approval process in place to ensure that the reports were accurate.

Contact Person Responsible for Corrective Action: Paula Stewart, Auditor

Contact Phone Number and Email Address: 812-275-3111 pstewart@lawrencecounty.in.gov

Views of Responsible Officials:

We concur with the finding.

Description of Corrective Action Plan:

The County Commissioners oversee the COVID -19 – Coronavirus State and Local Fiscal Recovery Fund: American Rescue Plan Grant. The county will obtain a signoff form for expenditures from this grant to indicate a review to determine the payment of award funds is only for activities and costs that are allowable under the Federal award and Federal regulations and only for costs incurred within the period of performance. The county will also implement a procedure to assign the preparation of the annual report to one individual in the office of the County Auditor. Upon completion, the individual will turn the completed report over to another individual to verify its accuracy and completeness. Both individuals will sign and date the completed report.

Anticipated Completion Date:

Immediately.



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CORRECTIVE ACTION PLAN

FINDING 2023-003

Finding Subject: Internal Controls over COVID-19 – Coronavirus State and Local Fiscal Recovery Funds: Lead Reduction Grant

Summary of Finding:

The County submitted one invoice for reimbursement to the State during the audit period. The County had not established a proper system of internal control over reporting as one employee in the County Health Department prepared and submitted the invoice with no evidence of an oversight, review, or approval process to ensure that the report was accurate.

Contact Person Responsible for Corrective Action: Paula Kern-Edwards

Contact Phone Number and Email Address: 812-275-3234 pedwards@lawrencecounty.in.gov

Views of Responsible Officials:

We concur with the finding.

Description of Corrective Action Plan:

This grant period has ended. The County will review all future grant awards for similar requirements and comply with any oversight, review or approval requirements.

Anticipated Completion Date:

Completed



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CORRECTIVE ACTION PLAN

FINDING 2023-004

Finding Subject: COVID-19 – Coronavirus State and Local Fiscal Recovery Funds – Suspension and Debarment Federal Agency: Department of the Treasury

Summary of Finding:

Prior to entering into subawards and covered transactions with SLFRF award funds, recipients are required to verify that such contractors and subrecipients are not suspended, debarred, or otherwise excluded. & "Covered transactions" include, but are not limited to, contracts for goods and services awarded under a non-procurement transaction (i.e., grant agreement) that are expected to equal or exceed \$25,000. The verification is to be done by checking the Excluded Parties List System (EPLS), collecting a certification from that person, or adding a clause or condition to the covered transaction with that person. Due to the Treasury's determination that the revenue loss eligible use category does not give rise to subawards, the County was only required to comply with suspension and debarment requirements related to covered transactions.

Upon inquiry of the County determine its policies and procedures related to suspension and debarment requirements, the County stated that they did not have policies or procedures in place for verifying that an entity with which it plans to enter into a covered transaction is not suspended, debarred, or otherwise excluded or disqualified from participating in federal assistance programs or activities. The County entered into covered transactions with four vendors during the audit period for goods or services that equaled or exceeded \$25,000 that were paid from SLFRF award funds. All four covered transactions, totaling \$1,661,247, were selected for testing. The County did not verify the vendors' suspension and debarment status prior to payment for any of the four vendors.

Contact Person Responsible for Corrective Action: Paula Stewart

Contact Phone Number and Email Address: 812-275-3111 pstewart@lawrencecounty.in.gov

Views of Responsible Officials:

We concur with the finding.

Description of Corrective Action Plan:

The county will implement a policy to obtain a certification statement on all award payments exceeding \$25,000 that the vendor is not suspended, debarred, or otherwise excluded from SLFRF award funds. The executed certification will be placed in the grant's file.

Anticipated Completion Date:

Immediately.

OTHER REPORTS

In addition to this report, other reports may have been issued for the County. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.