

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAWRENCE COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED
07/16/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Jody Edwards	01-01-17 to 12-31-20
County Treasurer	Paula R. Stewart	01-01-17 to 12-31-20
Clerk of the Circuit Court	Billie Turney	01-01-17 to 12-31-20
County Sheriff	Michael Branham	01-01-17 to 12-31-20
County Recorder	Myron D. Rainey	01-01-17 to 12-31-20
President of the Board of County Commissioners	Rodney Fish Dustin Gabhart	01-01-18 to 12-31-18 01-01-19 to 12-31-19
President of the County Council	Sam Craig Julie J. Hewetson	01-01-18 to 12-31-18 01-01-19 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2018 to December 31, 2018. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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.

The Federal Findings, identified in the above referenced audit report, are included in this report.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

June 19, 2019

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COUNTY AUDITOR
LAWRENCE COUNTY

COUNTY AUDITOR
LAWRENCE COUNTY
FEDERAL FINDING

FINDING 2018-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2017-002 from the immediately prior audit.

Condition

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 Bookkeeper enters the County's federal grant information into the Indiana Gateway for Government Units financial reporting system, which was the source for the SEFA. The County Auditor then reviews the information for accuracy and submits the County's Annual Financial Report. The review did not identify the material errors on the SEFA so that they could be corrected prior to submission.

Context

The SEFA contained the following errors:

1. The federal expenditures for three programs were understated and the federal expenditures for one program was overstated. In total, federal expenditures presented on the SEFA were understated by \$201,673.
2. Several federal programs were either reported with the incorrect program title, pass-through agency, CFDA number, or project number.

Audit adjustments were proposed, accepted by the County, and made to the SEFA.

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:

"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. . . ."

COUNTY AUDITOR
LAWRENCE COUNTY
FEDERAL FINDING
(Continued)

2 CFR 200.508 states in part:

"The auditee must: . . .

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

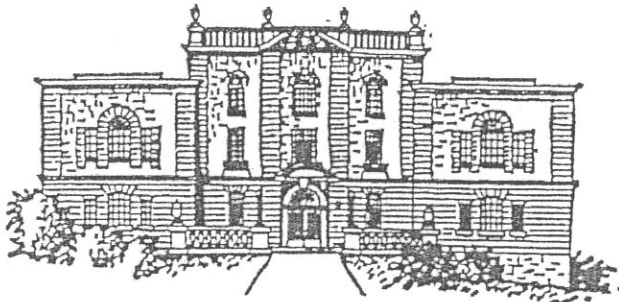
COUNTY AUDITOR
LAWRENCE COUNTY
FEDERAL FINDING
(Continued)

Recommendation

We recommended that the County's management establish controls related to the preparation of the SEFA.

Views of Responsible Officials

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



LIMESTONE CAPITAL OF THE WORLD

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

CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Auditor Jody Edwards
Contact Phone Number: 812-275-3111

Views of Responsible Official:

I feel that we have made great strides in grant reporting, that being said, there is room for improvement from all county offices that obtain grants informing my office of grant activity.

Description of Corrective Action Plan:

We will continue to require county offices that acquire a federal or state grant to file the grant information with the bookkeeper in the Auditor's office. We have adopted a Grant Policy, which follows:

LAWRENCE COUNTY GRANT POLICY

Effective January 1, 2019

The department will present the grant proposal to the County Commissioners and County Council for approval at a regularly schedule public meeting.

The department will complete and remit the grant application and all other required information to the grantor agency for approval. The grant application will be signed by the County Commissioners.

Once approval has been obtained from the grantor agency, the department will present the approval of the grant to the County Commissioners and County Council at a regularly scheduled public meeting.

Grant Recordkeeping

The auditor will establish a separate fund and file for each grant.

The department will provide the Auditor's Office with the following: grant application, grant award letter, grant agreement, budget, claim vouchers with supporting invoices, requests for advances, supporting the distribution should be attached to the form.

The department will also maintain a grant file with all grant documents that have been remitted to the auditor.

The department must complete a Grant Monies Requested Form (see form) each time the county is to receive grant funding. The claim vouchers and request for advances supporting the distribution should be attached to the form.

It is the responsibility of the department to comply with the grantor's reporting requirements. Final reports, with supporting documentation, will be provided to the auditor. (The funds ledger is generally used to support financial reports)

Report detailing receipts, disbursements and balances of the grant funds will be provided to the department monthly.

Grant Reporting into Gateway

The bookkeeper will generate reports from our financial system and compare the financial reports to information in the grant files monthly.

The bookkeeper will enter information into Gateway from information obtained from the financial records, grant files, etc.

The Auditor will review and check the accuracy of the grant information by comparing it to supporting documentation used to input the information before submission. The review should include documentation of the review. (Initials, tick marks indicating procedures performed, records traced to)

The Auditor will send the gateway report to the department for their review. The department will verify the information and will include documentation of the review (initials, tick marks indicating

procedures performed, records traced to). The department will verify all information, and make any corrections if necessary.

Differences noted by the department will be reviewed by the Auditor before changes are made to the Gateway information.

Anticipated Completion Date:

The anticipated completion date of this plan will be with the filing of the 2019 Financial Report on February 28th, 2020.

A handwritten signature in black ink that reads "Jody Edwards". The signature is written in a cursive style with a large initial "J" and "E".

Jody Edwards

Lawrence County Auditor

June 12, 2019

COUNTY AUDITOR
LAWRENCE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 19, 2019, with Jody Edwards, County Auditor; Dustin Gabhart, President of the Board of County Commissioners; and Julie J. Hewetson, President of the County Council.

BOARD OF AVIATION COMMISSION
LAWRENCE COUNTY

BOARD OF AVIATION COMMISSION
LAWRENCE COUNTY
FEDERAL FINDING

FINDING 2018-002

Subject: Airport Improvement Program - Suspension and Debarment
Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number and Year (or Other Identifying Number): D3-17-11471
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The County did not have any procedures in place to provide assurance that all vendors had not been excluded or disqualified from participating in a federal program. No verification was performed for one of the Airport's two contractual vendors during the audit period.

Context

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). . . ."

BOARD OF AVIATION COMMISSION
LAWRENCE COUNTY
FEDERAL FINDING
(Continued)

2 CFR 180.300 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 SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

Management had not developed an effective internal control system that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement could have resulted in the loss of federal funds to the County.

Questioned Costs

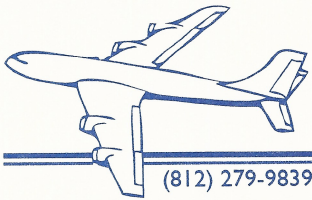
There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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



Board of Aviation Commissioners
Lawrence County, Indiana



3213 TUNNELTON ROAD • BEDFORD, INDIANA 47421

CORRECTIVE ACTION PLAN

FINDING 2018-002

Contact Person Responsible for Corrective Action: BOAC President Jeffrey J. Lytton
Contact Phone Number: 812-278-6324

Views of Responsible Official:

The BOAC concurs with the finding.

Description of Corrective Action Plan:

Effective at its monthly meeting to be held on June 20, 2019, the BOAC will adopt the following:

“The Lawrence County Board of Aviation Commissioners of The Grissom Memorial Airport agrees to comply with 2 CFR Part 1200 and 2 CFR Par 180, Subpart C by administering each lower tier subcontract that exceeds \$25,000 as a “covered transaction”. As such, the BOAC must verify each lower tier participant of a “covered transaction” as to any service provided pursuant to the Master Agreement or any subsequent Task Order is not presently debarred or otherwise disqualified from participation in any federally assisted project. Engineer shall accomplish this by:

- (a) Checking the Exclusion Extract located on the System for Award Management (SAM) at <http://sam.gov>.
- (b) Collecting a certification statement similar to paragraph (a) above ,or
- (c) Inserting a clause or condition in the covered transaction with the lower tier contract.”

Anticipated Completion Date:

June 20, 2019

Jeffrey J. Lytton, President
Board of Aviation Commissioners
June 13, 2019

BOARD OF AVIATION COMMISSION
LAWRENCE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 19, 2019, with Jeffrey J. Lytton, President of the Board of Aviation Commission; Dustin Gabhart, President of the Board of County Commissioners; and Julie J. Hewetson, President of the County Council.