

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MADISON COUNTY, INDIANA

January 1, 2018 to December 31, 2018



**FILED**  
09/25/2019



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Rick G. Gardner	01-01-17 to 12-31-20
County Treasurer	Kelly S. Gaskill Dan Girt	01-01-15 to 12-31-18 01-01-19 to 12-31-22
Clerk of the Circuit Court	Darlene Likens Olivia Pratt	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Sheriff	Scott Mellinger	01-01-15 to 12-31-22
President of the Board of County Commissioners	John M. Richwine Kelly S. Gaskill	01-01-18 to 12-31-18 01-01-19 to 12-31-19
President of the County Council	Anthony Emery	01-01-18 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513  
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TO: THE OFFICIALS OF MADISON COUNTY, INDIANA

This report is supplemental to our audit report of Madison 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 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 Findings, identified in the above referenced audit report, are 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 Findings 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

August 28, 2019

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COUNTY AUDITOR  
MADISON COUNTY

COUNTY AUDITOR  
MADISON COUNTY  
FEDERAL FINDINGS

***FINDING 2018-001***

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Condition and Context*

There were several deficiencies in the internal control system of the County related to financial transactions and reporting.

*County Auditor*

The County Auditor had not developed a proper internal control system over the receipting process to prevent or detect and correct, errors to the financial information. Procedures were not in place to ensure that receipts were recorded to the proper funds in the financial records.

*County Sheriff*

The County Sheriff had not separated incompatible activities related to cash, receipting, and vendor disbursements. In 2018, the County Sheriff's office had one employee handling all of the cash, receipting, and vendor payments related to inmate trust and commissary without an oversight, review, or approval process in place.

*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. . . ."

*Cause*

Management of the County had not established a proper system of internal control.

*Effect*

The failure to establish a system of internal controls could have enabled material misstatements or irregularities to remain undetected.

COUNTY AUDITOR  
MADISON COUNTY  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the County's management establish a system of internal controls, including segregation of duties, related to financial transactions and reporting.

*Views of Responsible Officials*

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

**FINDING 2018-002**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-002.

*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). No evidence was presented for audit that indicated someone other than the person who entered the federal grant information into the Indiana Gateway for Government Units financial reporting system, which was the source of the SEFA, reviewed the information for accuracy.

*Context*

The SEFA presented for audit contained the following errors:

1. The Juvenile Justice and Delinquency Prevention grant expenditures were understated by \$439.
2. The Crime Victim Assistance grant expenditures were overstated by \$197,694.
3. The Violence Against Women Formula Grants expenditures were overstated by \$13,773.
4. The WIOA Adult Program expenditures were overstated by \$177,397.
5. The WIOA Dislocated Worker Formula Grants expenditures were understated by \$152,624. This amount was reported as CFDA #20.260 in error.
6. The Highway Planning and Construction grant expenditures were overstated by \$278,314.

COUNTY AUDITOR  
MADISON COUNTY  
FEDERAL FINDINGS  
(Continued)

7. The State and Community Highway Safety grant expenditures were understated by \$10,326.
8. The Buses and Bus Facilities Formula Program expenditures were understated by \$168,098.
9. The Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research grant expenditures were understated by \$276,000.
10. The Formula Grants for Rural Areas grant expenditures were overstated by \$147,151.
11. The Surface Transportation Discretionary Grants for Capital Investment grant expenditures were not reported resulting in an understatement of \$2,180.
12. The Child Support Enforcement grant expenditures were understated by \$648,466.
13. Not all CFDA numbers, program names, grants, and identifying numbers were correct or listed.

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. . . ."

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. . . ."

COUNTY AUDITOR  
MADISON COUNTY  
FEDERAL FINDINGS  
(Continued)

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 percent de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*Cause*

The County's 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  
MADISON COUNTY  
FEDERAL FINDINGS  
(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.



**MADISON COUNTY AUDITOR'S OFFICE**  
ANDERSON, INDIANA

**Rick Gardner, Auditor**

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Corrective Action Plan

Finding 2018-001

Contact Person Responsible for Corrective Action: Rick Gardner  
Contact Phone Number: 765-641-9425

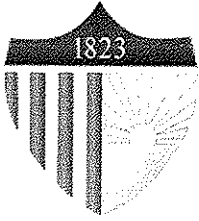
Views of Responsible Official :  
We concur that enhanced internal controls would be beneficial.

Description of Corrective Action Plan:  
The report of collections will be reviewed by an additional auditor on a daily basis to ensure that funds were receipted into the correct accounts.

Anticipated Completion Date: 08/22/2019

Rick G Gardner

Auditor  
08/22/2018



**MADISON COUNTY AUDITOR'S OFFICE**  
ANDERSON, INDIANA

**Rick Gardner, Auditor**

---

Corrective Action Plan

Finding 2018-002

Contact Person Responsible for Corrective Action: Rick Gardner  
Contact Phone Number: 765-641-9425

Views of Responsible Official :

We concur with the finding. We have implemented additional internal controls to help mitigate errors within the SEFA. A spreadsheet has been set up for each grant with all of the pertinent information specific to that grant. As claims are received to pay an invoice from a grant, those claims are verified for accuracy and if the grant will allow such expense. As the claims are processed within the financial software and approved by the necessary officials, the expenses are entered into a spreadsheet to keep track of all disbursements and receipts to ensure all amounts are correct.

Description of Corrective Action Plan:

All grant spreadsheets will be reviewed by an additional auditor on a monthly basis to ensure that funds are reported as accurate.

Anticipated Completion Date: 08/26/2019

Rick G. Gardner

Auditor

08/26/2018

COUNTY AUDITOR  
MADISON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 28, 2019, with Rick G. Gardner, County Auditor; Todd Culp, Chief Deputy County Auditor; Kara Clark, Deputy County Auditor; Jonathan Hughes, Attorney; Mike Phipps, County Commissioner; and John Richwine, County Commissioner.

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COUNTY SHERIFF  
MADISON COUNTY

COUNTY SHERIFF  
MADISON COUNTY  
FEDERAL FINDINGS

***FINDING 2018-001***

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Condition and Context*

There were several deficiencies in the internal control system of the County related to financial transactions and reporting.

*County Auditor*

The County Auditor had not developed a proper internal control system over the receipting process to prevent or detect and correct, errors to the financial information. Procedures were not in place to ensure that receipts were recorded to the proper funds in the financial records.

*County Sheriff*

The County Sheriff had not separated incompatible activities related to cash, receipting, and vendor disbursements. In 2018, the County Sheriff's office had one employee handling all of the cash, receipting, and vendor payments related to inmate trust and commissary without an oversight, review, or approval process in place.

*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:

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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. . . ."

*Cause*

Management of the County had not established a proper system of internal control.

*Effect*

The failure to establish a system of internal controls could have enabled material misstatements or irregularities to remain undetected.

COUNTY SHERIFF  
MADISON COUNTY  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the County's management establish a system of internal controls, including segregation of duties, related to financial transactions and reporting.

*Views of Responsible Officials*

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



OFFICE OF THE  
SHERIFF OF MADISON COUNTY

720 Central Avenue  
Anderson Indiana 46016

Scott C. Mellinger  
Sheriff

Joey Cole  
Major

Administration/Records  
765-646-9290  
Fax  
765-646-9296

Chaplain's Office  
765-646-4077

Civil Office  
765-641-9619  
Fax  
765-608-9704

Detention Center  
765-646-9285

Investigations  
765-646-9281

Sex Offender Registry  
765-646-4055

Victim Advocate  
765-646-4078

Website

www.madisoncountyindiana.us

CORRECTIVE ACTION PLAN

**FINDING 2018-001**

Contact Person Responsible for Corrective Action: Scott Mellinger  
Contact Phone Number: 765-646-4001  
Email: scott.mellinger@madisoncounty.in.gov

**Inmate Trust & Commissary Accounts**

Views of Responsible Official: After the 2018 exit conference we implemented what we understood to be the necessary steps to ensure "dual-approval" responsibilities, having more than one person approving/comparing invoice to check. What we failed to do was to include the ledger reconciliation as part of what was being checked by more than one person. We also failed to produce an independent report verifying that there is always enough funds in the bank to cover all existing inmate accounts.

Description of Corrective Action Plan: We now have two people approving the reconciliation of all three documents-Invoice, check, and ledger to check for accuracy and verification. We also have the TEAM program, which is our automated commissary vendor program, putting together a monthly report to show that there is always enough money in the inmate trust bank account to cover the total of money deposited by inmates at the time of their booking into jail.

During this time we also implemented a project to reduce all of the outstanding inmate checks from as far back as 2014. This effort has resulted in significant reduction of outstanding checks written to inmates at the time of their release from jail.

Anticipated Completion Date: All efforts have been implemented and with the exception of the several year's worth of uncashed checks, by released inmates, we feel we are in full compliance with the Inmate Trust and Commissary procedures.

Scott Mellinger  
Madison County Sheriff  
August 27, 2019

COUNTY SHERIFF  
MADISON COUNTY  
AUDIT RESULTS AND COMMENTS

***SHERIFF INMATE TRUST***

A similar Audit Result and Comment appeared in the immediately prior audit Reports B51344 and B51385, entitled *SHERIFF INMATE TRUST*.

There were insufficient internal controls over the accounting of the Inmate Trust fund. We noted several areas where controls were not designed or implemented properly.

No general ledger was presented for audit of the Inmate Trust fund. The accounting software accounts for all receipt and disbursements internally for the Inmate Trust. The County Sheriff's department was not able to extract the general ledger from the system.

A complete and accurate bank reconciliation was not presented for audit. Receipts and disbursements were verified on the monthly bank statements through a statement reconciliation process in the software; however, the ending balance as of December 31, 2018, could not be verified. In addition, the outstanding check list generated by the system was not accurate. Additional reconciling items were not provided, such as outstanding deposits in transit. We attempted to reproduce a December 31, 2018, bank reconciliation with available information and determined a variance of \$4,893, where the record balance exceeded the adjusted bank balance.

The outstanding check lists that were generated each month were not complete and some were inaccurate. These reports were not generated monthly and retained for audit. Reports ran at a later date were not accurate, as they included subsequent transactions.

Monthly subsidiary accounts reports of individual inmate account balances and monthly Statement Reconciliation Reports of cash balances were not generated, reconciled and retained for audit. Reports ran at a later date were not accurate, as they included subsequent transactions.

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

COUNTY SHERIFF  
MADISON COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

***SHERIFF'S CIVIL FUND BANK RECONCILEMENTS***

A similar Audit Result and Comment appeared in the immediately prior audit Reports B51344 and B51385, entitled *SHERIFF CIVIL FUND*.

A complete and accurate reconciliation of the cash book to the monthly bank statements was not completed during the audit period.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balances must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF  
MADISON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 28, 2019, with Scott Mellinger, County Sheriff; Cassandra A. Estle, Commissary Officer; Kimberly Owen, Office Manager; Jonathan Hughes, Attorney; Mike Phipps, County Commissioner; and John Richwine, County Commissioner.

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BOARD OF COUNTY COMMISSIONERS  
MADISON COUNTY

BOARD OF COUNTY COMMISSIONERS  
MADISON COUNTY  
FEDERAL FINDINGS

***FINDING 2018-003***

Subject: WIOA Cluster - Cash Management  
Federal Agency: Department of Labor  
Federal Programs: WIOA Adult Program, WIOA Youth Activities,  
WIOA Dislocated Worker Formula Grants  
CFDA Numbers: 17.258, 17.259, 17.278  
Federal Award Number and Year (or Other Identifying Number): PY15-CR-01-IA  
Pass-Through Entity: Interlocal Association  
Compliance Requirement: Cash Management  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-005.

*Condition and Context*

An effective internal control system was not in place at JobSource, a fiscal department of the County, in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

All of the expense reports submitted to the Interlocal Association were inspected for internal controls. Only 3 of 12 reports were reviewed and approved prior to being submitted to the Interlocal Association. The 3 approvals were for the last three months of the audit period.

The lack of internal controls was a systemic issue throughout the first nine months of 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*

The Management had not developed a system of internal controls to prevent, or detect and correct, potential errors on the expense reports submitted to the Interlocal Association.

BOARD OF COUNTY COMMISSIONERS  
MADISON COUNTY  
FEDERAL FINDINGS  
(Continued)

*Effect*

The failure to establish an effective internal control system placed the County at risk of non-compliance with the grant agreement and the Cash Management compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the County's management establish a system of internal controls related to the grant agreement and the Cash Management compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2018-004**

Subject: WIOA Cluster - Allowable Costs/Cost Principles

Federal Agency: Department of Labor

Federal Programs: WIOA Adult Program, WIOA Youth Activities,  
WIOA Dislocated Worker Formula Grants

CFDA Numbers: 7.258, 17.259, 17.278

Federal Award Number and Year (or Other Identifying Number): PY15-CR-01-IA

Pass-Through Entity: Interlocal Association

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-004.

*Condition and Context*

An effective internal control system was not in place at JobSource, a fiscal department of the County, in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

JobSource was required to have an approved Cost Allocation Plan (CAP) in order to use indirect costs in its claims for reimbursement. JobSource did create a CAP, but it was missing many specific details as required by 2 CFR 200 Appendix V Section E.

The lack of an appropriately detailed CAP was a systemic issue throughout the audit period.

BOARD OF COUNTY COMMISSIONERS  
MADISON COUNTY  
FEDERAL FINDINGS  
(Continued)

*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). . . ."

2 CFR 200 Appendix V part D(3) states:

"All other local governments claiming central service costs must develop a plan in accordance with the requirements described in this Part and maintain the plan and related supporting documentation for audit. These local governments are not required to submit their plans for Federal approval unless they are specifically requested to do so by the cognizant agency for indirect costs. Where a local government only receives funds as a subrecipient, the pass-through entity will be responsible for monitoring the subrecipient's plan."

*Cause*

Management had not developed a system of internal controls to ensure that the CAP contained all required details.

*Effect*

The failure to establish an effective internal control system placed the County at risk of non-compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the County's management establish a system of internal controls related to the grant agreement and the Allowable Costs/Cost Principles 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 COUNTY COMMISSIONERS  
MADISON COUNTY  
FEDERAL FINDINGS  
(Continued)

***FINDING 2018-005***

Subject: Highway Planning and Construction Cluster - Suspension and Debarment  
Federal Agency: Department of Transportation  
Federal Program: Highway Planning and Construction  
CFDA Number: 20.205  
Federal Award Number and Year (or Other Identifying Number): EDS # A249-17-6160073 FY18  
Pass-Through Entity: Indiana Department of Transportation  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

*Condition and Context*

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 procedures in place to ensure that all vendors were not suspended or debarred from participating in a federal program. No verification was performed for some non-contract vendors.

The lack of 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) . . . ."

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

BOARD OF COUNTY COMMISSIONERS  
MADISON COUNTY  
FEDERAL FINDINGS  
(Continued)

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the suspension and debarment requirements of 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 internal 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 COUNTY COMMISSIONERS  
MADISON COUNTY GOVERNMENT CENTER  
16 E. 9TH STREET  
ANDERSON, INDIANA 46016  
commissioners@madisoncounty.in.gov

Kelly Gaskill, President  
W. Michael Phipps  
John M. Richwine  
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## CORRECTIVE ACTION PLAN

**FINDING 2018-003** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Madison County Commissioners  
Contact Phone Number: 765-641-9470

Views of Responsible Official: The Commissioners have reviewed the finding and are in the process of analyzing it. The Commissioners will take appropriate action to correct any defects in internal controls.

Description of Corrective Action Plan: The Commissioners will review the cash management practices identified in the finding and analyze the internal controls in place concerning the finding. Additional internal controls will be considered and implemented as necessary. The Commissioners will work with any appropriate governmental offices at Madison County to implement any appropriate internal controls.

Anticipated Completion Date: October 2019

*W. Michael Phipps*  
W. Michael Phipps  
MEMBER, MADISON COUNTY  
BOARD OF COMMISSIONERS





BOARD OF COUNTY COMMISSIONERS  
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***FINDING 2018-004*** (Auditor Assigned Reference Number)

Contract Person Responsible for Corrective Action: Madison County Commissioners  
Contact Phone Number: 765-641-9470

Views of Responsible Official: The Commissioners have reviewed the finding and are in the process of analyzing it. The Commissioners will take appropriate action to correct any defects in internal controls.

Description of Corrective Action Plan: The Commissioners will review the allowable costs/cost principles identified in the finding and analyze the internal controls in place concerning the finding. Additional internal controls will be considered and implemented as necessary. In addition, the County will work with the State Board of Accounts Office concerning this finding. The Commissioners will work with any appropriate governmental offices at Madison County to implement any appropriate internal controls.

Anticipated Completion Date: October 2019





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## CORRECTIVE ACTION PLAN

***FINDING 2018-005*** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Madison County Commissioners  
Contact Phone Number: 765-641-9470

Views of Responsible Official: The Commissioners have reviewed the finding and are in the process of analyzing it. The Commissioners will take appropriate action to correct any defects in internal controls.

Description of Corrective Action Plan: The Commissioners will work with Madison County Council of Governments to identify additional checks that can be taken to identify whether an individual contractor is suspended or debarred. Checks may include reviewing state website data, requesting affirmations from contractors, and/or including a representation in contracts.

Anticipated Completion Date: October 2019



BOARD OF COUNTY COMMISSIONERS  
MADISON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 28, 2019, with John Richwine, County Commissioner; Mike Phipps, County Commissioner; Johnathan Hughes, Attorney; Doug Eckerty, JobSource Director; and Louis M. Mozingo, JobSource Controller.