

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

MORGAN COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED

07/31/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Dan Bastin	01-01-19 to 12-31-20
County Treasurer	Terry Clelland	01-01-19 to 12-31-20
Clerk of the Circuit Court	Stephanie Elliott	01-01-19 to 12-31-20
County Sheriff	Richard W. Myers	01-01-19 to 12-31-20
County Recorder	Jana K. Gray	01-01-19 to 12-31-20
President of the Board of County Commissioners	Ryan Goodwin	01-01-19 to 12-31-20
President of the County Council	Bryan Collier	01-01-19 to 12-31-20



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 MORGAN 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 Morgan County (County), for the year ended December 31, 2019, and the related notes to the financial statement, which collectively comprise the County's financial statement and have issued our report thereon dated June 16, 2020, 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.

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) to determine the 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, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001, 2019-002, and 2019-003, 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)

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002.

Morgan County's Response to Findings

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.


Paul D. Joyce, CPA
State Examiner

June 16, 2020



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 MORGAN COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited Morgan 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, 2019. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on the Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

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

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2019, and the related notes to the financial statement. We issued our report thereon dated June 16, 2020, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted 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.

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

June 16, 2020

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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.

MORGAN COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Justice</u>					
Crime Victim Assistance VOCA 18-20	Indiana Criminal Justice Institute	16.575	2017-VA-GX-0004 2016-VA-GX-001	\$ -	\$ 36,047
Violence Against Women Formula Grants STOP 7/1/19-6/30/20 Stop Violence Against Women 17-19	Indiana Criminal Justice Institute	16.588	38396 D3-18-12260	- -	3,954 18,750
Total - Violence Against Women Formula Grants				-	22,704
Bulletproof Vest Partnership Program Bullet Proof Vest FY 2017	Direct Grant	16.607	FY-2017	-	4,625
Total - Department of Justice				-	63,376
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction Bridge #75 Bowman Rd Bridge Inspection and Inventory 2018-2021	Indiana Department of Transportation	20.205	A249-18-L180037 A249-18-L180081	- -	46,528 129,762
Total - Highway Planning and Construction				-	176,290
Total - Highway Planning and Construction Cluster				-	176,290
Highway Safety Cluster State and Community Highway Safety DUI Task Force Operation Pull Over 18-19 SAVE Stop Arm	Indiana Criminal Justice Institute	20.600	032NHT164ALCF16 69A37519300004020IN0 69A37519300004020IN0	3,589 11,646 4,390	7,125 22,799 7,518
Total - State and Community Highway Safety				19,625	37,442
Total - Highway Safety Cluster				19,625	37,442
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	Indiana Criminal Justice Institute	20.608	FY 2019	-	260
Interagency Hazardous Materials Public Sector Training and Planning Grants HAZ Material Emergency Preparedness FFY 18 HMEP HAZ Material Emergency Preparedness (FFY 19) 18-19 HMEP 10/1/18-9/30/19 HMEP Haz Mat Emerg Prep 10/1/018-9/30/19 HMEP Haz Mat Emerg 10/1/18-9/30/19	Indiana Department of Homeland Security	20.703	HM-HMP-0548-16 HMHMP0548160100 HMHMP-0548160100 HMHMP-0548160100 HMHMP-0548160100	4,770 - - - -	22,434 825 6,785 5,950 2,500
Total - Interagency Hazardous Materials Public Sector Training and Planning Grants				4,770	38,494
Total - Department of Transportation				24,395	252,486

MORGAN COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Election Assistance Commission</u>					
2018 HAVA Election Security Grants	Indiana Secretary of State	90.404	CY 2018	-	26,142
Total - Election Assistance Commission				-	26,142
<u>Department of Health and Human Services</u>					
Public Health Emergency Preparedness	Indiana State Department of Health	93.069			
PHP Base 19-20			35421	-	8,187
PHP CRI 19-20			35421	-	461
Total - Public Health Emergency Preparedness				-	8,648
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	Indiana State Department of Health	93.074			
Bioterrorism CRI 18-19			26933	-	19,170
Bioterrorism Base 18-19			26933	-	10,380
PHEPCA Representative			26933	-	5,830
Total - Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements				-	35,380
Child Support Enforcement	Indiana Department of Child Services	93.563			
Title IV-D Reimb Prosecutor Expenditures			CY-2019	-	219,152
Title IV-D Reimb Clerk Expenditures			CY-2019	-	37,600
Title IV-D County Incentive			CY-2019	-	23,962
Title IV-D Reimb Clerk Expenditures			CY-2019	-	139
Title IV-D Reimb Courts Expenditures			CY-2019	-	32,005
Indirect Cost			CY-2019	-	181,354
Title IV-D Clerk Incentive			CY-2019	-	10,526
Title IV-D Prosecutor Incentive			CY-2019	-	48,849
Total - Child Support Enforcement				-	553,587
Total - Department of Health and Human Services				-	597,615
<u>Department of Homeland Security</u>					
Emergency Management Performance Grants EMPG Salaries 2018	Indiana Department of Homeland Security	97.042			
			EMC-2018-EP-00005	-	35,510
Homeland Security Grant Program SHSP-State Homeland Security FY 2018	Indiana Department of Homeland Security	97.067			
			EMW-2018-SS-00011	-	26,290
Total - Department of Homeland Security				-	61,800
Total federal awards expended				<u>\$ 24,395</u>	<u>\$ 1,001,419</u>

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

MORGAN 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, 2019. 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.

MORGAN 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?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no

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

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
93.563	Child Support Enforcement	Unmodified

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2019-001

Subject: Financial Transactions and Reporting, Financial Close and Reporting - County Auditor Office
Audit Findings: Material Weakness, Noncompliance

Condition and Context

The County had not established effective controls in the County Auditor's office related to financial transactions and reporting, and financial close and reporting.

Financial Transactions and Reporting

The County Auditor had not established controls over trustee accounts held by the County Redevelopment Commission. There were four trust accounts related to the Redevelopment District Bonds of 2019 that were not accounted for on the County Auditor's funds ledger.

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

MORGAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Financial Close and Reporting

There were no documented controls in place to ensure that the County Auditor's funds ledger was reconciled with the Treasurer's monthly financial report, nor with the Treasurer's Cash Book - Funds Ledger balance.

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. . . .

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

MORGAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management of the County had not established a proper system of internal control over financial transactions and reporting, and financial close and reporting.

Effect

The failure to establish a system of internal controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County at risk that controls may not be either designed properly or operate effectively to provide reasonable assurance that controls will prevent, or detect and correct, 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.

FINDING 2019-002

Subject: Cash and Investments, Financial Transactions and Reporting - County Treasurer Office
Audit Findings: Material Weakness, Noncompliance

Condition and Context

The County had not established effective controls in the County Treasurer's office related to cash and investments and financial transactions and reporting. There was a lack of segregation of duties, as the County Treasurer had not separated incompatible activities related to cash and investments, and financial close and reporting activities.

Cash and Investments

One employee was responsible for performing the reconciliation of the depository account balances with the record balances. There were no controls in place such as an oversight, review, or approval process over the bank reconciliations.

Financial Transactions and Reporting

The County Treasurer's office had not included or reconciled three bank accounts. The three bank accounts were the PERF, Health Insurance, and License Excise accounts. These accounts were not included in the County Treasurer's monthly reconciliations for four months tested.

There were four trustee bank accounts related to the 2019 Redevelopment District Bonds trust accounts held by the County Redevelopment Commission that were not included on the County Treasurer's Cash Book - Funds Ledger.

MORGAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. . . .

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

Cause

Management of the County had not established a proper system of internal control over cash and investments and financial transactions and reporting.

MORGAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The failure to establish a system of internal controls enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County at risk that controls may not be designed properly or operate effectively to provide reasonable assurance that controls will prevent, or detect and correct, 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.

FINDING 2019-003

Subject: Clerk's Trust Fund Accounts, Receipts, and Disbursements - Clerk of the Circuit Court
Audit Finding: Material Weakness

Condition and Context

The County had not established effective controls in the Clerk of the Circuit Court's (Clerk) office related to financial transactions and reporting. There was a lack of segregation of duties as the Clerk had not separated incompatible activities related to the Clerk's trust fund accounts, receipts, and disbursements.

Clerk's Trust Fund Accounts

The Clerk Interest Bearing fund was reported on the Clerk's Supplemental Annual Financial Report; however, the receipt and disbursement transactions for the fund were bank transfers and should not have been reported. Audit adjustments were proposed for the Clerk Trust & Registry fund and the Clerk Interest Bearing fund. As a result of the adjustments, the Clerk Interest Bearing fund was eliminated from the County's financial statement. The cash balance from this fund was added to the Clerk Trust & Registry fund.

Generally, the Chief Deputy/Bookkeeper receipted and transferred the funds, posted and retained an external spreadsheet, issued and remitted the payments, and reconciled the bank accounts. There was no documented evidence of any oversight or review process.

Receipts

The Chief Deputy/Bookkeeper wrote receipts for trust accounts and credit card transactions, reconciled the bank accounts, made adjustments and/or corrections to the financial records, and made bank deposits. There was no documented evidence of any oversight or review process over receipts and deposits.

Disbursements

The Chief Deputy/Bookkeeper issued and remitted payments from the Clerk's office. There was no documented evidence of any oversight or review process over disbursements.

MORGAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. . . .

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

Cause

Management of the Clerk's office had not established a proper system of internal control over the Clerk's trust fund accounts, receipts, and disbursements.

Effect

The failure to establish a system of internal controls could enable misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, misstatements in a timely manner.

MORGAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

No matters are reportable.

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AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the County. The document is presented as intended by the County.



Dan Bastin
Morgan County Auditor
180 S Main St, Suite 104
Martinsville, IN 46151
dbastin@morgancounty.in.gov

MORGAN COUNTY CORRECTIVE ACTION PLAN
June 16, 2020

FINDING 2019-001

Contact Person Responsible for Corrective Action: Dan Bastin

Contact Phone Number: (765)342-1001

Financial Transactions and Reporting

Views of Responsible Official:

County auditor has been monitoring all accounts of the county redevelopment commission including trust accounts held by trustee bank related to the Redevelopment District Bonds of 2019. Each month the county auditor submits to the commission a monthly financial report of all accounts of the commission including the trust accounts related to 2019 bonds. The monthly report is reviewed and approved by the commission at its monthly public meeting.

Description of Corrective Action Plan:

The trust accounts held by the trustee bank will be included in the county auditor and county treasurer financial ledgers and the county's annual financial report.

Anticipated Completion Date:

The county auditor and county treasurer will post on or before August 31, 2020 to their respective financial ledgers the trust accounts held by the trustee bank and retroactively include the trust accounts in the 2019 annual financial report.

Financial Close and Reporting

Views of Responsible Official:

The staff of the county auditor's office and the county treasurer's office meet monthly to balance and reconcile the records of each office. The monthly activity of the two offices is evidenced by the fact the financial balances of each office are the same.

Description of Corrective Action Plan:

The staff of the county auditor's office and the staff of the county treasurer's office participating in the balancing and reconciling activity will sign and date the documents used to verify balances.

Anticipated Completion Date:

The change will begin immediately.



Terry Clelland
180 S. Main Street, Suite 129
Martinsville, IN 46151
Phone: 765-342-1048

Corrective Action Plan

Finding 2019-002

Contact Person responsible for Corrective Action: Terry Clelland, Morgan County Treasurer
Contact Phone number: 765-342-1048

Views of responsible Official: We concur with findings:

Description of Corrective Action Plan:

Treasurer's office will ensure that all county bank accounts are included in the county Treasurer cash book and bank reconcilements and are completed monthly.

Description of Corrective Action Plan:

Treasurer's office will work with and coordinate with the Auditor's to add the 2019 Redevelopment District Bonds funds and bank accounts to our financial records and cash book.

Description of Correction Action Plan:

Treasurer's office will make sure that bank reconcilements are completed and all bank accounts are included on a bank reconcilment; making sure amounts are correct, and balance with the cash book.

Anticipated Completion Date: 7/01/2020

**MORGAN COUNTY CLERK
10 E WASHINGTON ST/PO BOX 1268
MARTINSVILLE, IN 46151
765-342-1025**

CORRECTIVE ACTION PLAN

FINDING 2019-003

Contact Person Responsible for Corrective Action: STEPHANIE ELLIOTT, CLERK
Contact Phone Number: 765-342-1025

Views of Responsible Official
The Clerk concurs with the finding.

Description of Corrective Action Plan:

Clerk's trust fund accounts

The Clerk and Chief Deputy/Bookkeeper will work with SBOA and JTAC/Odyssey on a plan to correct the bank transfers that should not be reported on the Clerk's Supplemental Annual Financial Report.

Internal controls will be established by having the Clerk or another Clerk Deputy receipt in the funds to segregate the duties. The Chief Deputy/Bookkeeper will no longer receipt in the funds to the interest bearing account. The Clerk or another Deputy will initial the daily summary report to review the process.

Receipts & Disbursements

Internal controls will be established to review the receipts and disbursement process. The Clerk or another Deputy Clerk will initial the daily summary report.

Anticipated Completion Date:

The corrective action plan will begin immediately and continue from this audit forward.

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/>.