

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CRAWFORD COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
09/30/2020

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
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 <i>Government Auditing Standards</i>	3-4
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	5-7
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	10-11
Notes to Schedule of Expenditures of Federal Awards	12
Schedule of Findings and Questioned Costs	13-20
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings	22-24
Corrective Action Plan	25-28
Other Reports	29

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Christian Howell	01-01-19 to 12-31-20
County Treasurer	Kelli R. Slaughterback	01-01-19 to 12-31-20
Clerk of the Circuit Court	Lisa Holzbog	01-01-19 to 12-31-20
County Sheriff	Jeff Howell	01-01-19 to 12-31-20
County Recorder	Jessica Villegas	01-01-19 to 12-31-20
President of the Board of County Commissioners	Morton Dale	01-01-19 to 12-31-20
President of the County Council	William E. Breeding Chad Riddle	01-01-19 to 12-31-19 01-01-20 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 CRAWFORD 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 Crawford 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 September 15, 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.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-003 to be material weaknesses.

A significant deficiency is a deficiency, or a 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002 to be a significant deficiency.

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 2019-003.

Crawford 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

September 15, 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 CRAWFORD COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited Crawford 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.

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)

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.

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2019-004, that we consider to be material weaknesses.


The County's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 September 15, 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, CPA
State Examiner

September 15, 2020

(This page intentionally left blank.)

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.

CRAWFORD 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 Commerce</u>					
Economic Development Cluster					
Economic Adjustment Assistance	Direct Grant	11.307	06-79-02990	\$ -	\$ 197,653
CRAWFORD COUNTY RLF					
Total - Economic Development Cluster				-	197,653
Total - Department of Commerce				-	197,653
<u>Department of Housing and Urban Development</u>					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs	14.228	PF-16-101	-	74,304
PROCTER HOUSE					
Total - Department of Housing and Urban Development				-	74,304
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster	Indiana Department of Transportation	20.205			
Highway Planning and Construction					
BRIDGE INSPECTIONS			DES #1401222	-	59,114
BRIDGE 43			DES #1400825	-	138,794
BRIDGE 80			DES #0800729	-	57,238
BRIDGE 42			DES #1400804	-	62,273
			DES #0901105	-	145,565
Total - Highway Planning and Construction Cluster				-	462,984
Total - Department of Transportation				-	462,984

CRAWFORD 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 Health and Human Services</u>					
Child Support Enforcement	Indiana Department of Child Services	93.563			
COUNTY PROSECUTOR EXPENDITURES			FY2019	-	34,753
CLERK INCENTIVES			FY2019	-	8,934
PROSECUTOR INCENTIVES			FY2019	-	40
CIRCUIT COURT CLERK EXPENDITURES			FY2019	-	16,275
INDIRECT COSTS			FY2019	-	29,737
Total - Child Support Enforcement				-	89,739
Opioid STR	Indiana Family and Social Services Administration	93.788	20-5JC89-C13-001	-	10,294
Total - Department of Health and Human Services				-	100,033
<u>Department of Homeland Security</u>					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Indiana Department of Homeland Security	97.036			
			DR-1997	-	13,086
			DR-4363	-	59,236
Total - Disaster Grants - Public Assistance (Presidentially Declared Disasters)				-	72,322
Emergency Management Performance Grants	Indiana Department of Homeland Security	97.042	EMPG Salary	-	15,356
Total - Department of Homeland Security				-	87,678
Total federal awards expended				\$ -	\$ 922,652

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

CRAWFORD 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.

Note 3. Calculation of Expenditures of the Economic Development Cluster Presented on the SEFA

The reported expenditures were calculated as follows in accordance with guidance by the grantor:

Description	Amount
Balance of Revolving Loan Fund loans outstanding at December 31, 2019	\$ 224,522
Add: Cash and Investment balance of FLRLF at December 31, 2019	53,794
Add: Administrative expenses paid out of FLRLF during 2019	4,044
Total Expenditures	282,360
Multiplied by the Federal Participation Rate	0.70
Total presented on SEFA	\$ 197,653

CRAWFORD 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?	yes
Noncompliance material to financial statement noted?	yes

Federal Awards:

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

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

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Highway Planning and Construction Cluster	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 - County
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-001.

Condition and Context

There were deficiencies in the internal control system of the County related to financial transactions and reporting. The County had not established an effective internal control system that separated incompatible activities related to disbursements, including vendor and payroll disbursements, and financial close and reporting.

CRAWFORD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Vendor Disbursements

The County had established controls over vendor disbursements; however, effective internal controls were not in place to ensure that claims were processed accurately or paid timely to prevent penalties, interest, and other charges from being incurred.

Payroll Disbursements

One employee in the County Auditor's office was responsible for entering pay rates; entering hours worked; recording leave time earned and used; calculating and posting the wages; issuing checks; making direct deposit payments for wages, tax payments, and payroll deductions; printing reports of payroll disbursements for review and approval; and preparing 941 reports, retirement reports, and W-2s. There was no evidence of an oversight, review, or approval process to prevent, or detect and correct, errors in a timely manner.

Financial Close and Reporting

The County did not have a proper system of internal controls in place over financial close and reporting to prevent, or detect and correct, errors. Due to the lack of effective internal controls over the input of financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report (AFR) and the financial statement, material errors remained undetected.

The AFR and financial statement for 2019 were materially incorrect and did not accurately reflect the transactions and balances of the County funds. As a result, receipts were understated by \$6,955,380; disbursements were understated by \$6,997,194; and the beginning cash and investments balance was understated by \$154,951. The material amount of the understatements in receipts and disbursements is due to the incorrect reporting of the Settlement fund. In addition, the amounts submitted on the Supplemental Annual Financial Reports for the Crawford County Treasurer fund, Inmate Trust Fund, and Crawford County Tourism Bureau fund by the respective departments were not accurately reported by the County Auditor in Gateway.

Audit adjustments were proposed, approved by the County Auditor, and made to the County's financial statement.

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. . . .

CRAWFORD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 controls that segregated key functions.

Effect

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

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: Financial Transactions and Reporting - Sheriff's Commissary Fund and Inmate Trust Fund
Audit Finding: Significant Deficiency

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-002.

Condition and Context

There were deficiencies in the internal control system of the Sheriff's Commissary Fund and Inmate Trust Fund related to financial transactions and reporting. An effective internal control system had not been established that separated incompatible activities related to cash and investments and financial reporting.

CRAWFORD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cash and Investments

One individual performed the reconciliation of the depository account with the record balance. There was no evidence of an oversight, review, or approval process to ensure that bank reconciliations were properly completed.

Financial Reporting

The Office Administrator prepared the Supplemental Annual Financial Report, which was reviewed and approved by the County Sheriff prior to submission to the County Auditor. However, the internal control was not effective in ensuring that the information was accurate prior to submission to the County Auditor.

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. . . .

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

The County Sheriff had not established a proper system of internal controls that segregated key functions.

Effect

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

CRAWFORD 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.

FINDING 2019-003

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 report. The prior audit finding number was 2018-003.

Condition and Context

The County had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the County's Schedule of Expenditures of Federal Awards (SEFA). The County Auditor completed and input the information for the federal award information into Gateway. The information was then reviewed by the Deputy County Auditor prior to submitting through Gateway; however, this internal control was not effective and missed material errors.

The SEFA presented for audit contained the following errors:

1. The Economic Development Cluster expenditures were understated by \$123,349.
2. The Highway Planning and Construction Cluster expenditures were understated by \$114,558.
3. The Child Support Enforcement expenditures were overstated by \$10,867.
4. The Opioid STR program was omitted, which understated federal expenditures by \$10,294.
5. The Disaster Grants - Public Assistance (Presidentially Declared Disasters) program was omitted, which understated federal expenditures by \$72,322.
6. The Emergency Management Performance Grants program was omitted, which understated federal expenditures by \$15,356.

Audit adjustments were proposed, accepted by the County, and made to the SEFA presented in this report.

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:

CRAWFORD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

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

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. . . ."

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 a 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.

CRAWFORD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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 of the County had not established a system of internal controls that would have ensured proper reporting of the SEFA.

Effect

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2019-004

Subject: Highway Planning and Construction Cluster - Internal Control

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Numbers and Years (or Other Identifying Numbers): DES #1401222, DES #1400825,
DES #0800729, DES #1400804,
DES #0901105

Pass-Through Entity: Indiana Department of Transportation

Compliance Requirement: Period of Performance

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-004.

Condition and Context

An effective internal control system was not in place at the County to ensure compliance with requirements related to the grant agreement and the Period of Performance compliance requirement.

CRAWFORD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The County was required to request reimbursement from the Indiana Department of Transportation using the LPA Invoice Voucher (voucher). The Highway Department Clerk/ERC prepared and submitted the vouchers without a review or oversight process in place to ensure that the expenses were obligated within the period of performance.

The lack of controls was systemic 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 Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards 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

Management did not develop a system of internal controls to ensure compliance with the grant agreement and the Period of Performance compliance requirement.

Effect

The failure to establish an effective internal control system placed the County at risk of non-compliance with the grant agreement and the Period of Performance compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish a system of internal controls to ensure compliance with the grant agreement and the Period of Performance compliance requirement.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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

CRAWFORD COUNTY AUDITOR
715 JUDICIAL PLAZA DRIVE ENGLISH, IN 47118
P.O. BOX 316
(812)338-2601
FAX (812)338-3506

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-001

Fiscal year in which the finding initially occurred: 2018
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A
Contact Person Responsible for Corrective Action: Christian Howell
Contact Phone Number: 812-338-2601

Status of Audit Finding:

With the current action plan ongoing, Chief Deputy Lynch and Payroll Clerk Crecelius will be responsible for double checking work completed by the other. Lynch is responsible for vendor disbursements, so Crecelius will double check entries before checks are issued. Crecelius is responsible for payroll; therefore, Lynch will double check all information entered before payroll is processed.

Due to a clerical error, the Annual report was misstated in the reporting. The Annual Report will be verified by my Chief Deputy once it is entered into Gateway and before final submission. Also, the Annual Report will be compared to the Transaction History to ensure accuracy by my Chief Deputy Auditor and myself.

FINDING 2018-003

Fiscal year in which the finding initially occurred: 2018
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A
Contact Person Responsible for Corrective Action: Christian Howell
Contact Phone Number: 812-338-2601

Status of Audit Finding: With the current action plan ongoing, the Auditor's office is looking for a more effective way to avoid errors in the SEFA and ensure complete and total accuracy. One thing that will change, department heads will receive copies of information entered to make sure it is correct and nothing is omitted.

Christian Howell
Crawford County Auditor

**Crawford County Sheriff's Department
PO Box 220
English, Indiana 47118
Jeff Howell, Sheriff
812-338-2802**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-002

Fiscal year in which the finding initially occurred: 2018
Contact Person Responsible for Corrective Action: Jeff Howell
Contact Phone Number:812-338-2802

Status of Audit Finding: The previous findings are currently being corrected by the means of more internal control and more efficient programs. We have a new computer program that we will be using for the commissary account. We are using a system called lockdown for the Inmate Trust account. This will aid in ensuring that information is accurate on the Supplemental Annual Financial Report. The reconcilements will be done monthly as well. The office Administrator will be completing these, and the assistant will be checking them.

Crawford County Highway Department

Crawford County Commissioners:
Morton Dale, President
Dan Crecelius, Member
Larry Ingle, Member

717 E State Road 64
English, IN 47118
P: 812-338-2162 F: 812-338-2452

Highway Administration:
Ernie Keck Sr., Superintendent
Ashley Armstrong, Clerk

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-004

Fiscal year in which the finding initially occurred: 2018
Pass-Through Entity: Indiana Department of Transportation
Contact Person Responsible for Corrective Action: Ernie Keck
Contact Phone Number: 802-338-2165

Status of Audit Finding:

Corrective Action Plan for internal control issues, Ernie Keck, the highway superintendent, will review all federal funded projects. This will include claims for payments and invoices that will be submitted to INDOT for reimbursement. This has been corrected as of January 2020.

**CRAWFORD COUNTY AUDITOR
715 JUDICIAL PLAZA DRIVE ENGLISH, IN 47118
P.O. BOX 316
(812)338-2601
FAX (812)338-3506**

CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Christian Howell
Contact Phone Number: 812-338-2601

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan:

Chief Deputy Lynch and Payroll Clerk Crecelius will be responsible for double checking work completed by the other. Lynch is responsible for vendor disbursements, so Crecelius will double check entries before checks are issued. Crecelius is responsible for payroll; therefore, Lynch will double check all information entered before payroll is processed.

Due to a clerical error, the Annual report was misstated in the reporting. The Annual Report will be verified by my Chief Deputy once it is entered into Gateway and before final submission. Also, the Annual Report will be compared to the Transaction History to ensure accuracy by my Chief Deputy Auditor and myself.

Anticipated Completion Date: August 14, 2020

Christian Howell
Crawford County Auditor

**Crawford County Sheriff's Department
PO Box 220
English, Indiana 47118
Jeff Howell, Sheriff
812-338-2802**

FINDING 2019-002

Contact Person Responsible for Corrective Action: Jeff Howell
Contact Phone Number:812-338-2802

Views of Responsible Official: I concur with the findings.

Description of Corrective Action Plan: We have a new computer program that we will be using for the commissary account. We are using a system called lockdown for the Inmate Trust account. This will aid in ensuring that information is accurate on the Supplemental Annual Financial Report. The reconcilements will be done monthly as well. The office Administrator will be completing these, and the assistant will be checking them.

Anticipated Completion Date:08/18/2020

**CRAWFORD COUNTY AUDITOR
715 JUDICIAL PLAZA DRIVE ENGLISH, IN 47118
P.O. BOX 316
(812)338-2601
FAX (812)338-3506**

CORRECTIVE ACTION PLAN

FINDING 2019-003

Contact Person Responsible for Corrective Action: Christian Howell
Contact Phone Number: 812-338-2601

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan:

Our office keeps folders for all grants. These folders include copies of claims paid, receipts and other grant information available such as DES #, titles, etc. I will have my Chief Deputy Auditor double check the folders to the information entered into Gateway before final submission. Beginning next year, after the schedule of expenditures and federal awards are prepared in the Gateway system, prior to submission, I will give a copy to the various department heads who routinely receive grants for them to review to make sure all grants are included and that the information is correct.

Anticipated Completion Date: January 01, 2021

**Christian Howell
Crawford County Auditor**

Crawford County Highway Department

Crawford County Commissioners:
Morton Dale, President
Dan Crecelius, Member
Larry Ingle, Member

717 E State Road 64
English, IN 47118
P: 812-338-2162 F: 812-338-2452

Highway Administration:
Ernie Keck Sr., Superintendent
Ashley Armstrong, Clerk

CORRECTIVE ACTION PLAN

FINDING 2019-004

Contact Person Responsible for Corrective Action: Ernie Keck
Contact Phone Number: 812-338-2165

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Internal Control System Procedure

The contractor for each DES Project submits invoices to the Crawford County Highway. Upon receipt of said invoices, the Crawford County Highway Clerk/ERC prepares an Accounts Payable Voucher for the invoices. This tells the Crawford County Auditor which Fund and Account the invoice should be paid from. Once completed, the Accounts Payable Voucher is printed. A copy is made of the Voucher and Invoice and kept in the Highway Department Office. A copy of the Voucher is stapled to the original invoice, creating a packet, and is then given to the Highway Department Superintendent for review. Once reviewed, the Highway Department Superintendent signs the Accounts Payable Voucher. It is then given back to the Highway Department Clerk/ERC. The Highway Department Clerk/ERC will then record the information on the 'LPA Invoice Voucher Purchase Order Tracking Log'. This log will be updated throughout the process of the packet.

Once the information is recorded on the log, the packet is then taken to the Auditor's Office. It is placed in the 'Claims' Tray on the Deputy Auditor's desk.

Once the Deputy Auditor receives the packet, it is entered into the system for payment. Once entered, the check is printed and the Accounts Payable Voucher and check is signed by the Auditor. The check is then mailed to the contractor.

Once the check has cleared the counties checking account, a copy of the canceled check and a signed copy of the Accounts Payable Voucher are printed for the Highway Department Clerk/ERC. The Highway Department Clerk/ERC then attaches it to the correlated LPA Invoice Voucher and packet. That entire packet is then emailed to the Crawford County Highway Departments INDOT District (Vincennes District) at Vincennesinvoices@indot.in.gov.

Once INDOT process the claim, reimbursement is then sent back to the Crawford County Highway Department. Once that payment is received, it is turned into the Auditor to be deposited back into the account that the original invoice was paid from. The Auditor then prints out a proof of deposit for the appropriate fund for the Highway Department Records. The proof of deposit is then added to the packet. The packet is then filed in the Highway Department Office.

Anticipated Completion Date: January 1st, 2020

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/>.