

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

BOONE COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
10/14/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Heather Myers Debbie Morton-Crum	01-01-19 to 03-06-20 03-07-20 to 12-31-20
County Treasurer	Debbie Ottinger	01-01-19 to 12-31-20
Clerk of the Circuit Court	Jessica Fouts	01-01-19 to 12-31-20
County Sheriff	Mike Nielsen	01-01-19 to 12-31-20
County Recorder	Nikki Baldwin	01-01-19 to 12-31-20
President of the Board of County Commissioners	Jeff Wolfe Don Lawson	01-01-19 to 12-31-19 01-01-20 to 12-31-20
President of the County Council	Steve Jacob	01-01-19 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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 BOONE COUNTY, INDIANA

We were engaged to audit, 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 Boone 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 30, 2020. Our report disclaims an opinion on the financial statement because the County did not properly maintain accounting records. The County's bank accounts and accounting records did not reconcile. We were unable to obtain sufficient competent evidential matter concerning the ending cash balances reported in the financial statement. The County's records do not permit the application of other auditing procedures to ascertain if the financial statement is fairly stated.

Internal Control over Financial Reporting

In connection with our engagement to audit the financial statement of the County, 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

In connection with our engagement to audit the financial statement of the County, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 engagement 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, 2019-002, and 2019-003.


Additionally, if the scope of our work had been sufficient to enable us to express an opinion on the financial statement, other instances of noncompliance or other matters may have been identified and reported herein.

Boone County's Response to Findings

The County's response to the findings identified in our engagement is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the engagement 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 30, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH 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 BOONE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited Boone 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 each of its major federal programs for the year ended December 31, 2019. The County's major federal programs are 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 each of the County's major federal programs 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 each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each 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 each of its major federal programs for the year ended December 31, 2019.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each 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.

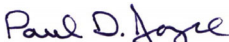
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

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

We were engaged to audit the financial statement of the County, as of and for the year ended December 31, 2019, and have issued our report thereon dated September 30, 2020. However, the scope of our audit of the financial statement was not sufficient to enable us to express an opinion because the County did not properly maintain accounting records. The County's bank accounts and accounting records did not reconcile, and accordingly, we did not express an opinion on the financial statement. 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. Because of the significance of the matter discussed above, it is inappropriate to and we do not express an opinion on the Schedule of Expenditures of Federal Awards referred to above.


Paul D. Joyce, CPA
State Examiner

September 30, 2020

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.

BOONE 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 Crime Victim Assistance	Indiana Criminal Justice Institute	16.575	7179	\$ -	\$ 70,654
Violence Against Women Formula Grants STOP Domestic Violence 9138	Indiana Criminal Justice Institute	16.588	6262	-	25,136
Bulletproof Vest Partnership Program Bullet Proof Vest Grant 9165	Direct Grant	16.607	2019BUBX19019333	-	3,649
Total - Department of Justice				-	99,439
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction Cr 400S/Cr300 Connector 5900	Indiana Department of Transportation	20.205	DES 1383408	-	36,382
Boone County Bridge Inspections 1135			DES 1500227	-	111,057
Boone County Bridge 41			DES 1600773	-	97,439
Boone County Bridge 154			DES 1800246	-	32,328
Total - Highway Planning and Construction				-	277,206
Total - Highway Planning and Construction Cluster				-	277,206
Highway Safety Cluster State and Community Highway Safety Fast Act NHTSA 403	Indiana Criminal Justice Institute	20.600	38867	-	28,772
Alcohol Impaired Driving Countermeasures Incentive Grants I Alcohol Impaired Driving 4011	Indiana Criminal Justice Institute	20.601	DUI-2019-00036	-	20,662
National Priority Safety Programs Big City/Big County 9162	Indiana Criminal Justice Institute	20.616	OPO-2019-00089	-	14,151
Total - Highway Safety Cluster				-	63,585
Formula Grants for Rural Areas and Tribal Transit Program Transit 7403	Indiana Department of Transportation	20.509	IN-18X032-00	220,121	220,121
Total - Department of Transportation				220,121	560,912

BOONE 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>					
Hospital Preparedness Program (HPP) and Public Health					
Emergency Preparedness (PHEP)					
Aligned Cooperative Agreements					
Public Health Emergency Preparedness	9184	Indiana State Department of Health	93.074	NU90TP922052	- 11,916
Child Support Enforcement					
Child Support Enforcement	1000.9571	Indiana Department of Child Services	93.563	FY2019	- 27,537
Title Iv-D Inventive Shared	8895			FY2019	- 50,670
Clerk Iv-D	8899			FY2019	- -
Prosecutor Iv-D (Incentive)	8897			FY2019	- -
Clerk Child Support Co. General	1000.9711			FY2019	- 8,429
Clerk Child Support Co. General	1000.9711			FY2019	- 157,959
Clerk Child Support Co. General	1000.9711			FY2019	- 34,416
Total - Child Support Enforcement					- 279,011
Preventive Health and Health Services Block Grant					
Preventative Health					
				FY2019	- 1,019
Total - Department of Health and Human Services					- 291,946
<u>Department of Homeland Security</u>					
Emergency Management Performance Grants					
Multi Hazard Mitigation Plan Update 1000.9538					
Empg Competitive/Salary Grant	1000.9538	Indiana Department of Homeland Security	97.042	30485	- 15,770
				30485	- 31,695
Total - Emergency Management Performance Grants					- 47,465
Homeland Security Grant Program					
Shsp County Based Competitive Proj	1000.9538	Indiana Department of Homeland Security	97.067	28926	- 100,000
Total - Department of Homeland Security					- 147,465
Total federal awards expended				\$ 220,121	\$ 1,099,762

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

BOONE 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.

BOONE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Disclaimer
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 programs:	
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 Programs and type of auditor's report issued on compliance for each:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
20.509	Highway Planning and Construction Cluster Formula Grants for Rural Areas and Tribal Transit Programs	Unmodified 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, Receipts, Financial Close and Reporting - County Auditor Office
Audit Findings: Material Weakness, Noncompliance

Condition and Context

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

BOONE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Financial Transactions and Reporting

The financial statement presented for audit was found to have misstatements in the following funds:

1. The Sheriff Commissary receipts and disbursements were understated by \$225,667 and \$304,600, respectively.
2. The Sheriff Inmate Trust receipts and disbursements were understated by \$731,339 and \$742,188, respectively.
3. The Clerk's Trust Account - Odyssey receipts and disbursements were understated by \$7,660,161 and \$6,960,951, respectively.
4. The Drug Buy Money disbursements were understated by \$10,493.
5. The ISETS receipts and disbursements were understated by \$388,353 and \$387,657, respectively.
6. The Treasurer receipts and disbursements were understated by \$5,322,120 and \$3,317,633, respectively.
7. The Emerg Planning/Right to Know receipts were overstated by \$6,259.
8. The Employee Health Fund receipts and disbursements were overstated by \$1,126,914 and \$1,277,224, respectively.
9. The Federal Tax and Unemployment disbursements were overstated by \$40,570.
10. The FICA and Medicare disbursements were overstated by \$70,611.
11. The County Tax disbursements were overstated by \$22,049.
12. The State Tax and Unemployment disbursements were overstated by \$47,291.
13. The Payroll Clearing disbursements were understated by \$180,521.

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

Receipts

The 2019 state distributions to the County were not receipted in a timely manner for 41 distributions, or 16 percent. The lack of internal controls over receipts allowed them to not be receipted in for 190 days.

Financial Close and Reporting

There were no documented internal controls in place to ensure that the County Auditor's funds ledger was reconciled with the County Treasurer's monthly financial report, nor with the County Treasurer's Cash Book - Funds Ledger balance. The lack of internal controls allowed material variances to occur between the Treasurer's Cash Book - Funds ledger balance and the County Auditor's funds ledger.

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

BOONE 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. . . ."

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

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

BOONE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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](#)."

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Cause

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

Effect

The failure to establish an effective 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: Cash and Investments - County Treasurer Office
Audit Findings: Material Weakness, Noncompliance

Condition and Context

The County had not established effective internal controls in the County Treasurer's office related to cash and investments.

Internal controls related to cash and investments were not properly implemented. The County Treasurer did not complete the December 2019 bank reconciliation for the County's primary bank account.

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:

BOONE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

"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. . . ."

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

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

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."

Cause

Management of the County had not implemented a proper system of internal control over cash and investments and receipts.

BOONE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The failure to establish an effective 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 2019-003

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

Condition and Context

The County did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The County did not properly review the federal grant information prepared and submitted into the Indiana Gateway for Government Units financial reporting system, which was the source of the SEFA. The County had an oversight or review process in place; however, the internal controls were not effective at preventing material noncompliance.

Due to the lack of effective internal controls, the SEFA presented for audit included the following errors:

1. The Crime Victim Assistance expenditures were overstated by \$7,480.
2. The Highway Planning and Construction Cluster expenditures were understated by \$75,688.
3. The State and Community Highway Safety expenditures were omitted resulting in an understatement of \$28,722.
4. The Alcohol Impaired Driving Countermeasures Incentive Grants I expenditures were understated by \$5,261.
5. The Formula Grants for Rural Areas and Tribal Transit Program expenditures were overstated by \$82,474 and amount passed through to subrecipients was omitted resulting in an understatement of \$220,121.
6. The Child Support Enforcement expenditures were understated by \$222,513.
7. The Preventative Health and Health Services Block Grant expenditures were understated by \$1,019.
8. One state grant was included on the federal schedule resulting in an overstatement of \$6,259.

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

BOONE 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:

"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 200.303 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 200.508 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. . . ."

BOONE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(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% 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 ensure proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operates 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.

BOONE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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.

**Office of the Auditor
Boone County**
201 Courthouse Square
Lebanon, IN 46052

Debbie M. Morton-Crum
Auditor of Boone County
dcrum@co.boone.in.us

(765) 482-2940
Fax: (765) 483-4434

Corrective Action Plan

Finding 2019-001

Contact Person Responsible for Corrective Action: Debbie Morton-Crum, County Auditor
Contact Phone Number: 765-482-2940

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

We are continuing to identify our deficiencies in our Financial Reporting. We will continue to put additional Internal Controls in place and work with the other departments to compare their records with our financial software to be able to report more accurate information and decrease the amount of overstating and understating of funds on our Annual Financial Report.

We are putting together a plan to increase our communication with the Treasurer's Office in order to post the State Distributions timely. We will also be putting Internal Controls in place for cash and investments so the Auditor's office can reconcile to the Treasurer's records on a monthly basis.

Anticipated Completion Date: December 31, 2020

BOONE COUNTY TREASURER

Deborah S. Ottinger

209 Courthouse Square – Lebanon IN 46052

(765) 482-2880 FAX-(765) 483-4436

FINDING 2019-002

Contact Person Responsible for Corrective Action: Debbie Ottinger – County Treasurer
Contact Phone: 765-482-2880

Views of Responsible Official:

We concur with the finding. Corrections of the two issues cited by the SBOA Audit began in early 2020. After the appointment of current Auditor Debbie Crum, both the Auditor and Treasurer's Office was able to have a more positive working relationship and cooperative working environment. The Treasurer's Office hired a new employee for accounting and bookkeeping in early 2020, to replace an employee that resigned in December 2019.

Description of Corrective Action Plan:

Bank Reconciliation for the Primary Account will be completed this week.

Receipt issues have been discussed between the two offices – Auditor and Treasurer – and, again, following the appointment of Auditor Debbie Crum, both offices are working together and the receipts are being processed in a timely manner.

Anticipated Completion Date: 10/1/2020

Deborah S. Ottinger
BOONE COUNTY TREASURER
09/30/2020

**Office of the Auditor
Boone County**

201 Courthouse Square
Lebanon, IN 46052

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Corrective Action Plan

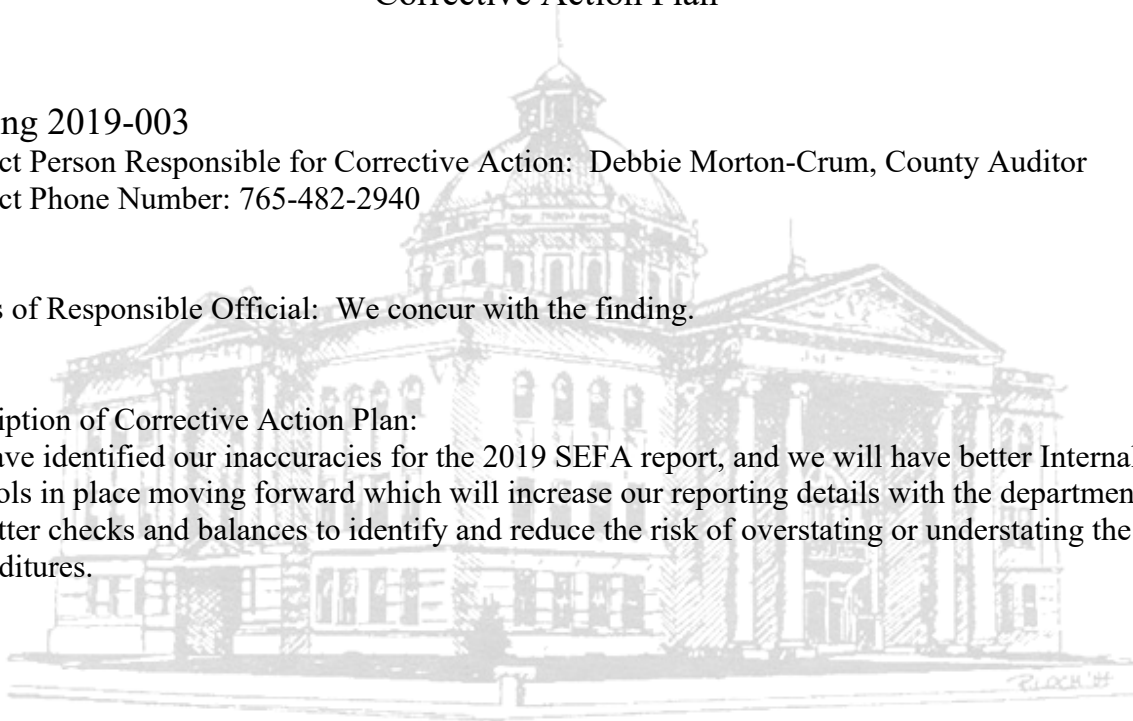
Finding 2019-003

Contact Person Responsible for Corrective Action: Debbie Morton-Crum, County Auditor
Contact Phone Number: 765-482-2940

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

We have identified our inaccuracies for the 2019 SEFA report, and we will have better Internal Controls in place moving forward which will increase our reporting details with the departments for better checks and balances to identify and reduce the risk of overstating or understating the expenditures.



Anticipated Completion Date: December 31, 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/>.