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

FEDERAL COMPLIANCE AUDIT REPORT

OF

HARRISON COUNTY, INDIANA

January 1, 2019 to December 31, 2019

FILED
10/29/2020

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SCHEDULE OF OFFICIALS

| Office | Official | Term |
|---|---|---|
| County Auditor | Chad Shireman | 01-01-19 to 12-31-20 |
| County Treasurer | Debbie Dones | 01-01-19 to 12-31-20 |
| Clerk of the Circuit Court | Sherry Brown | 01-01-19 to 12-31-20 |
| County Sheriff | Nicholas Smith | 01-01-19 to 12-31-20 |
| County Recorder | Debbie Dennison | 01-01-19 to 12-31-20 |
| President of the Board of County Commissioners | Kenny Saulman | 01-01-19 to 12-31-20 |
| President of the County Council | Holli Castetter | 01-01-19 to 06-23-19 |
| | Donnie Hussung | 06-24-19 to 12-31-20 |

**STATE OF INDIANA**
**AN EQUAL OPPORTUNITY EMPLOYER**

STATE BOARD OF ACCOUNTS
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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 HARRISON 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 Harrison 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 October 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.

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 and 2019-002, 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 item 2019-001.

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

October 15, 2020

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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 HARRISON COUNTY, INDIANA

**Report on Compliance for Each Major Federal Program**

We have audited Harrison 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.

**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 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 2019-003, 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 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 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 October 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
Paul D. Joyce, CPA
State Examiner

October 15, 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.

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

| Federal Grantor Agency<br>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 |
|---|---|---|---|---|---|
| Department of Housing and Urban Development | | | | | |
| Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | Indiana Office of Community and Rural Affairs | 14.228 | | | |
| S.H. Water SystemsWW-16-111 | | | A192-18-WW-16-111 | $ - | $ 186,158 |
| Total - CDBG - State-Administered CDBG Cluster | | | | - | 186,158 |
| Total - Department of Housing and Urban Development | | | | - | 186,158 |
| Department of Justice | | | | | |
| Juvenile Justice and Delinquency Prevention | Indiana Criminal Justice Institute | 16.540 | | | |
| Title II Truancy-2019 Juvenile | | | 2019-JF-FX-0058 | - | 68,125 |
| Title II Truancy-Juvenile | | | EDS#D3-18-12332 | - | 28,489 |
| Total - Juvenile Justice and Delinquency Prevention | | | | - | 96,614 |
| Equitable Sharing Program | Direct Grant | 16.922 | | | |
| Sheriff Asset Forfeiture | | | 2019 | - | 117,079 |
| Prosecutor Asset Forfeiture | | | 2019 | - | 58,609 |
| Total - Equitable Sharing Program | | | | - | 175,688 |
| Total - Department of Justice | | | | - | 272,302 |
| Department of Transportation | | | | | |
| Highway Planning and Construction Cluster | | | | | |
| Highway Planning and Construction | Indiana Department of Transportation | 20.205 | | | |
| Cumulative Bridge | | | PO#20001182 | - | 86,156 |
| Total - Highway Planning and Construction Cluster | | | | - | 86,156 |
| Federal Transit Cluster | | | | | |
| Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs | Indiana Department of Transportation | 20.526 | | | |
| 5339 Medical Van | | | 3400430C | - | 120,596 |
| Total - Federal Transit Cluster | | | | - | 120,596 |
| Formula Grants for Rural Areas and Tribal Transit Program | Indiana Department of Transportation | 20.509 | | | |
| 2019 5311 Transportation Grant | | | EDS#A249-19-G180477 | 260,296 | 260,296 |
| 2018 5311 Transportation Grant | | | EDS#A249-18-G170184 | 38,411 | 38,411 |
| 5311 Discretionary Cap.-Surveillance | | | EDS#A249-18-G170048 | 6,397 | 6,397 |
| Total - Formula Grants for Rural Areas | | | | 305,104 | 305,104 |
| Total - Department of Transportation | | | | 305,104 | 511,856 |

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

| Federal Grantor Agency<br>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 |
|---|---|---|---|---|---|
| Department of Health and Human Services | | | | | |
| Public Health Emergency Preparedness | Indiana Department of Health | 93.069 | | | |
| 19/20 PHEP | | | NU90TP922052 | - | 16,831 |
| Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements | Indiana Department of Health | 93.074 | | | |
| HPP/PHEP U90TP000521 | | | U90TP000521 | - | 15,722 |
| Child Support Enforcement | Indiana Department of Child Services | 93.563 | | | |
| Prosecutor Incentive | | | 2019 | - | 27,238 |
| Child Support Indirect Costs | | | 2019 | - | 32,213 |
| Clerk Incentive | | | 2019 | - | 7,384 |
| Child Support Prosecutor | | | 2019 | - | 151,794 |
| Child Support Clerk | | | 2019 | - | 27,985 |
| Child Support IVD | | | 2019 | - | 6,070 |
| Total - Child Support Enforcement | | | | - | 252,684 |
| Maternal and Child Health Services Block Grant to the States | Indiana Department of Health | 93.994 | | | |
| Title V; Early Start | | | 18527114 | - | 10,266 |
| Total - Department of Health and Human Services | | | | - | 295,503 |
| Department of Homeland Security | | | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | Indiana Department of Homeland Security | 97.036 | | | |
| 2018 FEMA Disaster | | | 385PA4363000000 | - | 2,940 |
| Emergency Management Performance Grants | Indiana Department of Homeland Security | 97.042 | | | |
| 2018 EMPG-Salaries | | | EMCW-2017-EP-00002 | - | 33,947 |
| Homeland Security Grant Program | Indiana Department of Homeland Security | 97.067 | | | |
| 2018-HCPG/Equipment | | | 38518SHSP000000 | - | 12,000 |
| Total - Department of Homeland Security | | | | - | 48,887 |
| Total federal awards expended | | | | $ 305,104 | $ 1,314,706 |

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

HARRISON 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.

HARRISON 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 programs: | |
| 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 Programs and type of auditor's report issued on compliance for each:

| CFDA Number | Name of Federal Program or Cluster | Opinion Issued |
|---|---|---|
| 20.509 | Formula Grants for Rural Areas and Tribal Transit Programs | Unmodified |
| 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: 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 2018-001.

*Condition and Context*

The County had not established internal controls over the federal award information entered in the Indiana Gateway for Government Units financial reporting system, which was the source of the County's Schedule of Expenditures of Federal Awards (SEFA). The County did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the SEFA.

The SEFA contained the following errors:

1. The Equitable Sharing Program expenditures were overstated by $74,142.

2. The Public Health Emergency Preparedness program expenditures were overstated by $17,115.

3. The Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements program expenditures were overstated by $7,530.

4. The Child Support Enforcement program expenditures were understated by $51,812.

5. The Maternal and Child Health Services Block Grant to the States program expenditures were overstated by $481.

6. The Disaster Grants - Public Assistance (Presidentially Declared Disasters) was omitted, which understated federal expenditures by $2,940.

7. Not all CFDA numbers, program names, and identifying numbers were correct or listed.

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:

> "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 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 implemented effective 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.

***FINDING 2019-002***

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

*Repeat Finding*

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

*Condition and Context*

The County did not have a proper system of internal controls in place to prevent, or detect and correct, errors during the financial reporting process. Financial information was entered into the Indiana Gateway for Government Units financial reporting system, which was the source for the financial statement, by the County Auditor with no evidence of an independent review, oversight, or approval process to ensure the accuracy of the information reported. There was no documentation to indicate that someone other than the County Auditor was involved in the financial reporting process.

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

*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*

Management of the County had not established a proper system of internal controls related to financial reporting.

*Effect*

The failure to establish a system of internal controls could have enabled misstatements or irregularities within the financial statements 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.

***Section III - Federal Award Findings and Questioned Costs***

***FINDING 2019-003***

Subject: Child Support Enforcement - Allowable Costs/Cost Principles
Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year (or Other Identifying Number): 2019
Pass-Through Entity: Indiana Department of Child Services
Compliance Requirement: Allowable Costs/Cost Principles
Audit Finding: Material Weakness

*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 Allowable Costs/Cost Principles compliance requirement. The County had implemented controls, but they were not effective. The cost allocation plan prepared by a third-party vendor, and reviewed and approved by the County Auditor, did not detect an immaterial overstatement of expenses.

The lack of effective internal controls was a systemic issue that affected the amount of indirect cost reimbursement claimed for the entire audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

Management did not develop a system of internal controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements 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 Allowable Costs/Cost Principles compliance requirement.

*Views of Responsible Officials*

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

AUDITEE-PREPARED DOCUMENTS

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

**HARRISON COUNTY AUDITOR**
**245 ATWOOD STREET • STE. 211**
**CORYDON, INDIANA 47112**
**(812) 738-8241**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2018-001***

Fiscal year in which the finding initially occurred: 2013
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:
Contact Person Responsible for Corrective Action: Chad Shireman
Contact Phone Number: 812-738-8241

Status of Audit Finding:

The audit finding is still in the process of being completely addressed. The accounts receivable employee who assists the auditor with grants that are reflected in the SEFA had to miss a significant portion of the AFR submission period due to illness. As a result, the SEFA had to be submitted without the proper overview needed to provide the appropriate internal controls and to catch errors prior to submission.

The office plans to begin looking at these areas of the annual report as the year of 2020 comes to an end and in early January to make sure all numbers are correct, with the auditor having a clear understanding of how they need to be represented on the AFR. Once all data is entered into Gateway, the aforementioned accounts receivable employee will reconcile prior to the auditor submitting. Corrections will be in place for this finding as of January 1, 2021 and will carry forward through the AFR submission deadline of March 1, 2021.

**CHAD SHIREMAN,**
**AUDITOR**

Chad Sh. 09-17-2020

**HARRISON COUNTY AUDITOR**
**245 ATWOOD STREET • STE. 211**
**CORYDON, INDIANA 47112**
**(812) 738-8241**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2018-002***

Fiscal year in which the finding initially occurred: 2018
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:
Contact Person Responsible for Corrective Action: Chad Shireman
Contact Phone Number: 812-738-8241

Status of Audit Finding:

The accounts payable supervisor has been given access to Gateway. As in prior years, the county auditor will upload information from the county's financial system into Gateway. At that time, the aforementioned accounts payable supervisor will access the information and add any data that wasn't included and make corrections as needed. Once this review has taken place, the county auditor and accounts receivable employee will look over all information and make the final submission.

This process will begin as of January 1, 2021, with the county auditor working to upload financial information as soon as the 2020 years has been completed/balanced with the county's financial system. The previously described data entry, review and submission will take place up until the final annual report submission deadline of March 1, 2021.

**CHAD SHIREMAN, AUDITOR**

Chad Shireman 10-08-2020

**HARRISON COUNTY AUDITOR**
**245 ATWOOD STREET • STE. 211**
**CORYDON, INDIANA 47112**
**(812) 738-8241**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2018-003***

Fiscal year in which the finding initially occurred: 2018
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Transportation
Contact Person Responsible for Corrective Action: Chad Shireman
Contact Phone Number: 812-738-8241

Status of Audit Finding:

The audit finding is continuing to be addressed at this time. The county auditor conducted a physical inventory in 2019. The auditor's office is working on a process that will allow for the accounts receivable employee to make necessary changes to the capital assets register as older vehicles are done away with and new vehicles are purchased. The capital assets register will be updated as these changes occur throughout the year. The county auditor will enter all capital asset data into the Gateway system, with the accounts receivable employee reviewing and making any corrections to the data prior to the final submission by the county auditor.

These changes will be implemented immediately, with the county auditor passing on the necessary information to the involved employees in order to update the current capital assets register. The register will continue to be updated as necessary throughout 2020. The county auditor will begin data entry for the AFR on January 1, 2021 as the capital assets register for 2020 is finalized. The accounts receivable employee will review the data entered and make any necessary changes prior to the auditor submitting all capital assets values on or before the annual report deadline of March 1, 2021.

**CHAD SHIREMAN, AUDITOR**

Chad Sh 10-20-2020

# HARRISON COUNTY AUDITOR

245 ATWOOD STREET STE. 211
CORYDON, INDIANA 47112
(812) 738-8241


CORRECTIVE ACTION PLAN

***FINDING 2019-001***

Contact Person Responsible for Corrective Action: Chad Shireman
Contact Phone Number: 812-738-8241

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:
In order to provide more accurate data and proper oversight, the county auditor will immediately import data from the county's financial system as soon as it is made available. The accounts payable supervisor will make any changes and add any missing information as needed. The county auditor and accounts receivable deputy will review all financial information, giving specific attention to the Schedule of Expenditures of Federal Awards. Once everything is in order, the county auditor will submit all data.

Anticipated Completion Date:
The county auditor will begin the upload process January 1, 2021 or as soon as information in the financial system has been balanced and finalized. The remaining oversight procedures will begin as soon as the financial data is uploaded, with final submission taking place prior to the annual financial report deadline of March 1, 2021.

CHAD SHIREMAN, AUDITOR

# HARRISON COUNTY AUDITOR

245 ATWOOD STREET STE. 211
CORYDON, INDIANA 47112
(812) 738-8241


CORRECTIVE ACTION PLAN

***FINDING 2019-002***

Contact Person Responsible for Corrective Action: Chad Shireman
Contact Phone Number: 812-738-8241

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:
In order to provide more accurate data and proper oversight, the county auditor will immediately import data from the county's financial system as soon as it is made available. The county will document that the county auditor is not involved in the financial closing process for the end of year. The accounts payable supervisor will make any changes and add any missing information as needed, documenting any changes made. The county auditor and accounts receivable deputy will review all financial information, keeping notes and signing off on a hard copy of the data to be kept for documentation. Once everything is in order, the county auditor will submit all data.

Anticipated Completion Date:
The county auditor will begin the upload process January 1, 2021 or as soon as information in the financial system has been balanced and finalized. The remaining oversight procedures will begin as soon as the financial data is uploaded, with final submission taking place prior to the annual financial report deadline of March 1, 2021. All internal controls documentation will be kept with the other information gathered to complete the annual report and will be available for the state board of accounts during the next audit.

CHAD SHIREMAN, AUDITOR

# HARRISON COUNTY AUDITOR

245 ATWOOD STREET STE. 211
CORYDON, INDIANA 47112
(812) 738-8241


CORRECTIVE ACTION PLAN

***FINDING 2019-003***

Contact Person Responsible for Corrective Action: Chad Shireman
Contact Phone Number: 812-738-8241

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:
A third-party vendor will continue to prepare the cost allocation plan on the county's behalf. In order to provide proper oversight, the county auditor will spend more time getting familiar with requirements related to the grant agreement. The auditor will also provide the cost allocation plan to the county clerk's office to provide another layer of oversight from the department most familiar with the data in question. With a more thorough review of the third-party's work, the county auditor will provide a more effective review and approval process of the information.

Anticipated Completion Date:
The plan will be put in place as the third-party vendor makes the completed cost allocation plan of 2020 available to the county auditor. Using prior years as a reference, it is anticipated that the county auditor will receive the plan in early August of 2021, with the aforementioned review process taking place and wrapping up by the end of August or early September of 2021.

CHAD SHIREMAN, AUDITOR

## 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/.