

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

MADISON COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
12/30/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Rick G. Gardner	01-01-19 to 12-31-20
County Treasurer	Dan Girt	01-01-19 to 12-31-20
Clerk of the Circuit Court	Olivia Pratt	01-01-19 to 12-31-20
County Sheriff	Scott Mellinger	01-01-19 to 12-31-20
County Recorder	Linda Smith	01-01-19 to 12-31-20
President of the Board of County Commissioners	Kelly S. Gaskill	01-01-19 to 12-31-20
President of the County Council	Anthony Emery Pete Heuer	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
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF MADISON 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 statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Madison County (County), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 17, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, 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 statements, 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 statements 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 item 2019-001, 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
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are 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.

Madison 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

December 17, 2020, except for the Schedule of Expenditures of
Federal Awards, for which the date is December 23, 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 MADISON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited Madison 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. Except as discussed below, 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.

Basis for Qualified Opinion on WIOA Cluster

As described in item 2019-003 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting compliance of the County with the WIOA Cluster regarding Activities Allowed or Unallowed and Allowable Costs/Cost Principles. Consequently, we were unable to determine whether the County complied with those requirements applicable to the program.

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)

Qualified Opinion on WIOA Cluster

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on WIOA Cluster* paragraph 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 the WIOA Cluster for the year ended December 31, 2019.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2019.

Other Matters

The County's response to the noncompliance 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.

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 items 2019-002 and 2019-003, that we consider to be material weaknesses.

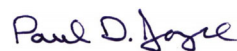
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

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.

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

We have audited the financial statements of governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 17, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 basic financial statements. 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 statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, 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 basic financial statements as a whole.


Paul D. Joyce, CPA
State Examiner

December 23, 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.

MADISON 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 Agriculture</u>					
Cooperative Forestry Assistance	Indiana Department of Natural Resources	10.664	2017-CUF-3293 2018-CUF-7097	\$ - -	\$ 8,184 17,206
Total - Cooperative Forestry Assistance				-	25,390
Total - Department of Agriculture				-	25,390
<u>Department of Justice</u>					
Juvenile Justice and Delinquency Prevention	Indiana Criminal Justice Institute	16.540	D3-18-12325	-	6,434
Crime Victim Assistance	Indiana Criminal Justice Institute	16.575	7290 VOCA-2018-00136 VOCA-2018-00226	- - -	334,079 160,120 45,842
Total - Crime Victim Assistance				-	540,041
Drug Court Discretionary Grant Program	Direct Grant	16.585	2015-DC-BX-0067	-	9,830
Violence Against Women Formula Grants	Indiana Criminal Justice Institute	16.588	3217WFAX 3218WFAX	- -	34,560 446
Total - Violence Against Women Formula Grants				-	35,006
Total - Department of Justice				-	591,311
<u>Department of Labor</u>					
Employment Service Cluster Employment Service/Wagner-Peyser Funded Activities	Interlocal Association	17.207	PY15-CR-01-IA PY18-CR-01-IA	- -	607 3,543
Total - Employment Service/Wagner-Peyser Funded Activities				-	4,150
Jobs for Veterans State Grants	Interlocal Association	17.801	PY15-CR-01-IA PY18-CR-01-IA	- -	127 742
Total - Jobs for Veterans State Grants				-	869

MADISON 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
Local Veterans' Employment Representative (LVER) Program	Interlocal Association	17.804			
			PY15-CR-01-IA	-	127
			PY18-CR-01-IA	-	742
				<u>-</u>	<u>869</u>
Total - Local Veterans' Employment Representative (LVER) Program					
Total - Employment Service Cluster				<u>-</u>	<u>5,888</u>
WIOA Cluster					
WIOA Adult Program	Interlocal Association	17.258			
			PY15-CR-01-IA	-	83,206
			PY18-CR-01-IA	-	189,966
				<u>-</u>	<u>273,172</u>
Total - WIOA Adult Program					
WIOA Youth Activities	Interlocal Association	17.259			
			PY15-CR-01-IA	-	32,025
			PY18-CR-01-IA	-	119,920
				<u>-</u>	<u>151,945</u>
Total - WIOA Youth Activities					
WIOA Dislocated Worker Formula Grants	Interlocal Association	17.278			
			PY15-CR-01-IA	-	65,734
			PY18-CR-01-IA	-	107,487
				<u>-</u>	<u>173,221</u>
Total - WIOA Dislocated Worker Formula Grants					
Total - WIOA Cluster				<u>-</u>	<u>598,338</u>
Unemployment Insurance	Interlocal Association	17.225			
			PY15-CR-01-IA	-	681
			PY18-CR-01-IA	-	103,297
				<u>-</u>	<u>103,978</u>
Total - Unemployment Insurance					
Homeless Veterans' Reintegration Program	Interlocal Association	17.805			
			SD-32522-18-60-5-18	-	5,398
Total - Department of Labor				<u>-</u>	<u>713,602</u>
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
			1500286	-	202,255
			1401458	-	337,931
			1601628	-	801,901
			1801218	-	228,299
				<u>-</u>	<u>1,570,386</u>
Total - Highway Planning and Construction					
Total - Highway Planning and Construction Cluster				<u>-</u>	<u>1,570,386</u>

MADISON 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
Highway Safety Cluster State and Community Highway Safety	Indiana Criminal Justice Institute	20.600	OPO-2019-00071 SAVE-2019-00055	28,605 -	35,323 5,008
Total - State and Community Highway Safety				<u>28,605</u>	<u>40,331</u>
Total - Highway Safety Cluster				<u>28,605</u>	<u>40,331</u>
Formula Grants for Rural Areas and Tribal Transit Program	Indiana Department of Transportation	20.509	A249-19-6180468	-	213,194
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	Indiana Criminal Justice Institute	20.608	DUI-2019-00007	2,190	13,896
Total - Department of Transportation				<u>30,795</u>	<u>1,837,807</u>
<u>Environmental Protection Agency</u>					
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	Indiana Department of Environmental Management	66.818	BF 00E02300	-	108,407
Total - Environmental Protection Agency				<u>-</u>	<u>108,407</u>
<u>Department of Energy</u>					
Weatherization Assistance for Low-Income Persons	Indiana Housing and Community Development Authority	81.042	WX-018-015 WX-019-015	- -	224,051 206,235
Total - Weatherization Assistance for Low-Income Persons				<u>-</u>	<u>430,286</u>
Total - Department of Energy				<u>-</u>	<u>430,286</u>
<u>Department of Education</u>					
Title I Grants to Local Educational Agencies	Anderson Community Schools	84.010	S010A190014	-	29,422
Total - Department of Education				<u>-</u>	<u>29,422</u>
<u>Department of Health and Human Services</u>					
Low-Income Home Energy Assistance	Indiana Housing and Community Development Authority	93.568	WL-019-015 WL-020-015	- -	318,382 19,595
Total - Low-Income Home Energy Assistance				<u>-</u>	<u>337,977</u>

MADISON 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
Community Services Block Grant	Indiana Housing and Community Development Authority	93.569	CS-018-015 CS-019-015	- -	6,457 269,149
Total - Community Services Block Grant				-	275,606
Public Health Emergency Preparedness	Indiana State Department of Health	93.069	6U90TP299052-01-01	-	17,020
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	Indiana State Department of Health	93.074	U90TP000521	-	41,103
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	Indiana State Department of Health	93.354	40093354PHOCF19	-	14,048
Child Support Enforcement	Indiana Department of Child Services	93.563	2019	-	892,292
HIV Care Formula Grants	Indiana State Department of Health	93.917	40093917RWSUP18 40093917RWREB19 40093917RWREB20	- - -	32,876 71,074 94,130
Total - HIV Care Formula Grants				-	198,080
HIV Prevention Activities Health Department Based	Indiana State Department of Health	93.940	NU62PS924556	-	8,573
Total - Department of Health and Human Services				-	1,784,699
<u>Department of Homeland Security</u> Emergency Management Performance Grants	Indiana Department of Homeland Security	97.042	EMC-2017-EP-00002	-	5,189
Total - Department of Homeland Security				-	5,189
Total federal awards expended				<u>\$ 30,795</u>	<u>\$ 5,526,113</u>

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

MADISON 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.

MADISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:

Name of Opinion Unit	Opinion Issued
Governmental Activities	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
Each Major Fund	Unmodified
Aggregate Remaining Funds	Unmodified
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
	WIOA Cluster	Qualified
	Highway Planning and Construction Cluster	Unmodified
20.509	Formula Grants for Rural Areas and Tribal Transit Program	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

MADISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 an effective system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The County failed to properly review the federal grant information prepared and submitted in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the SEFA. The County correctly included most of their federal grants in Gateway, but did not complete all required data fields. Because of this, the SEFA generated from Gateway did not include the correct amount of federal expenditures for those grants. The following errors occurred on the SEFA presented for audit.

1. The Crime Victim Assistance grant expenditures were understated by \$334,079.
2. The WIOA Cluster expenditures were understated by \$598,338.
3. The Highway Planning and Construction Cluster expenditures were understated by \$1,368,113.
4. The Formula Grants for Rural Areas and Tribal Transit Program grant expenditures were understated by \$213,194.
5. The Weatherization Assistance for Low-Income Persons grant expenditures were understated by \$430,286.
6. Several additional grants had individually immaterial errors that resulted in misstatements of expenditures of \$449,089, in total, including amounts passed through to subrecipients.
7. Other errors included incorrect program names, pass-through entities, and identifying numbers.

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.

MADISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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.

MADISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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 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 2019-002

Subject: WIOA Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Federal Agency: Department of Labor

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

CFDA Numbers: 17.258, 17.259, 17.278

Federal Award Numbers and Years (or Other Identifying Numbers): PY15-CR-01-IA, PY18-CR-01-IA

Pass-Through Entity: Interlocal Association

Compliance Requirements: Activities Allowed or Unallowed, 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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

There were no internal controls in place over the disbursement of funds for the employers' share of retiree health insurance.

The lack of internal controls was isolated to the retiree medical insurance benefit disbursements and indirect costs charged to the program as detailed in Finding 2019-003.

MADISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

The County's management had not developed a system of internal controls to ensure compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Effect

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

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: WIOA Cluster - Activities Allowed or Unallowed, Allowable
Costs/Cost Principles - Cost Allocation Plan

Federal Agency: Department of Labor

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

CFDA Numbers: 17.258, 17.259, 17.278

Federal Award Numbers and Years (or Other Identifying Numbers): PY15-CR-01-IA, PY18-CR-01-IA

Pass-Through Entity: Interlocal Association

Compliance Requirements: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

MADISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 JobSource, a fiscal department of the County, to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

There were no internal controls in place to ensure that reimbursement for indirect costs charged to the program were properly requested. JobSource was required to have an approved Cost Allocation Plan (CAP) to request reimbursement for indirect costs. JobSource did create a CAP, but it did not include many specific details required by 2 CFR 200 Appendix V Section E. Because the County did not have a proper CAP, all indirect costs claimed for reimbursement are considered questioned costs.

The lack of internal controls over indirect costs and the lack of an appropriately documented CAP were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

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

2 CFR 200 Appendix V Part E(1) states:

"All proposed plans must be accompanied by the following: an organization chart sufficiently detailed to show operations including the central service activities of the state/local government whether or not they are shown as benefitting from central service functions; a copy of the Comprehensive Annual Financial Report (or a copy of the Executive Budget if budgeted costs are being proposed) to support the allowable costs of each central service activity included in the plan; and, a certification (see subsection 4.) that the plan was prepared in accordance with this Part, contains only allowable costs, and was prepared in a manner that treated similar costs consistently among the various Federal awards and between Federal and non-Federal awards/activities."

MADISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management of the County had not designed or implemented internal control procedures that would have ensured that adequate documentation of the Cost Allocation Plan was maintained in compliance with the requirements listed above.

Effect

The failure to retain or provide appropriate supporting documentation for the Cost Allocation Plan prevented the determination of the County's compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Questioned Costs

Known questioned costs of \$253,535 are detailed in the *Condition and Context*.

Recommendation

We recommended that the County's management establish internal controls and ensure that documentation will be maintained and made available for audit.

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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



MADISON COUNTY AUDITOR'S OFFICE
ANDERSON, INDIANA

Rick Gardner, Auditor

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-001

Fiscal year in which the finding initially occurred: 2018
Contact Person Responsible for Corrective Action: Rick Gardner
Contact Phone Number: 765-641-9425

Status of Audit Finding: We implemented a review process of the report of collections. We instituted an additional internal control where we have a separate auditor review the report of collections on a daily basis to ensure that funds were receipted into the correct accounts.

—



OFFICE OF THE
SHERIFF OF MADISON COUNTY

720 Central Avenue
Anderson Indiana 46016

Scott C. Mellinger
Sheriff

Joey Cole
Major

Administration/Records

765-646-9290

Fax

765-646-9296

Chaplain's Office

765-646-4077

Civil Office

765-641-9619

Fax

765-608-9704

Detention Center

765-646-9285

Investigations

765-646-9281

Sex Offender Registry

765-646-4055

Victim Advocate

765-646-4078

Website

www.madisoncountyindiana.us

Summary Schedule of Prior Audit Findings

Fiscal year in which finding initially occurred: 2018

Contact person responsible for corrective action: Scott Mellinger, Sheriff

Contact phone number: 765-646-4001

Finding 2018-001

Status of Audit Finding: We have had the following corrections in place. At least two people designated by the Sheriff are assigned to review and approve reconciliation of invoices, checks, and the ledger for accuracy and verification. We also complete and publish a monthly report which verifies that there are always enough funds in the Inmate Trust Account to match the amounts deposited through the inmate booking process.

We also accounted for or documented all outstanding uncashed checks made out to released inmates back to 2014. Additionally, the County Commissioners have drafted and will soon pass a "debt write-off" ordinance which allows for documented deletion of debt owed to the county which inmates incur via utilizing certain services while incarcerated.



MADISON COUNTY AUDITOR'S OFFICE

ANDERSON, INDIANA

Rick Gardner, Auditor

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-002

Fiscal year in which the finding initially occurred: 2012
Contact Person Responsible for Corrective Action: Rick Gardner
Contact Phone Number: 765-641-9425

Status of Audit Finding: We've developed new controls. In late 2018 we implemented a new grant tracking database to collect information from the numerous grants we receive. The database better tracks identification, receipts, and disbursements to balance with our financial system. We expect to have a good handle on the SEFA in 2019 but the control system will not be fully in place until 2020.

**Madison County Indiana
Board of County Commissioners
Madison County Government Center
16 E. 9th Street
Anderson, Indiana 46016**

**Kelly Gaskill, President
W. Michael Phipps
John M. Richwine
765/641-9400 Fax 765/641-9578**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2018-003

Fiscal year in which finding initially occurred: 2016

Status of Audit Finding:

Corrective action was taken.

Finding 2018-004

Fiscal year in which finding initially occurred: 2016

As of August 22, 2019, Madison County no longer administers this grant. Therefore, no corrective action was taken.

Madison County Commissioners



Madison County Council of Governments

739 Main Street

Anderson, Indiana 46016

Tel. (765) 641-9482 Fax. (765) 641-9486

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2018-005

Fiscal year in which finding initially occurred: 2018

Status of Audit Finding:

When a vendor receives over \$25,000.00 from grant funding, we utilize the SAM website to make sure that the vendor is not on the debarred or suspended list. The Office Manager and administrative assistant sign and date the SAM sheet which shows if they are debarred or suspended. Jerry Bridges, Executive Director of COG, reviews and approves the SAM sheet.



MADISON COUNTY AUDITOR'S OFFICE

ANDERSON, INDIANA

Rick Gardner, Auditor

Corrective Action Plan

Finding 2019-001

Contact Person Responsible for Corrective Action: Rick Gardner

Contact Phone Number: 765-641-9425

Views of Responsible Official :

We concur with the finding. We have implemented additional internal controls to help mitigate errors within the SEFA. A spreadsheet has been set up for each grant with all of the pertinent information specific to that grant. As claims are received to pay an invoice from a grant, those claims are verified for accuracy and if the grant will allow such expense. As the claims are processed within the financial software and approved by the necessary officials, the expenses are entered into a spreadsheet to keep track of all disbursements and receipts to ensure all amounts are correct. We understand that the understatement of funds occurred from not having the numbers in both the receipt and disbursement columns in the Gateway application which caused an error in the upload. Next year, we will also add a review by our financial consultant.

Description of Corrective Action Plan:

All grant spreadsheets will be reviewed by an additional auditor on a monthly basis to ensure that funds are reported as accurate. We will also be sure to include the information in both columns in the Gateway application and add a review from our financial consultant.

Anticipated Completion Date: 12/31/2020

**Madison County Indiana
Board of County Commissioners
Madison County Government Center
16 E. 9th Street
Anderson, Indiana 46016**

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W. Michael Phipps
John M. Richwine
765/641-9400 Fax 765/641-9578**

CORRECTIVE ACTION PLAN

FINDING 2019-002 (Auditor Assigned Reference Number)

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

Views of Responsible Official: The Madison County Commissioners do not have reason to dispute the finding as JobSource is no longer administering the WIOA Grants for Madison County. Accordingly, the Madison County Commissioners, as indicated below, were unable in 2019 to implement corrective action plans from 2018, and are not otherwise able to comment on the auditor's findings.

Description of Corrective Action Plan: Madison County no longer administers the WIOA Grants through JobSource. These are now administered through Interlocal Assistance, which is based in Greenfield. In 2019, after several negative audit findings and other concerns about management and operations, the Madison County Commissioners chose to change course with respect to the Executive Director of JobSource. In early 2019, the new Director was put in and began evaluating management issues and audit concerns. This was part of the 2018 corrective action plan. Unfortunately, Region 5, which administers the grants, chose to terminate its contract with JobSource for political and other reasons. This resulted in Interlocal Assistance out of Greenfield now administering the grants. The Madison County Commissioners find this to be of potential concern, but do not believe any corrective action plan will be needed since Madison County no longer administers the grants and won't at the time of the 2020 audit.

Anticipated Completion Date: Immediately

**Madison County Indiana
Board of County Commissioners
Madison County Government Center
16 E. 9th Street
Anderson, Indiana 46016**

**Kelly Gaskill, President
W. Michael Phipps
John M. Richwine
765/641-9400 Fax 765/641-9578**

CORRECTIVE ACTION PLAN

FINDING 2019-003 (Auditor Assigned Reference Number)

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

Views of Responsible Official: The Madison County Commissioners do not have reason to dispute the finding as JobSource is no longer administering the WIOA Grants for Madison County. Accordingly, the Madison County Commissioners, as indicated below, were unable in 2019 to implement corrective action plans from 2018, and are not otherwise able to comment on the auditor's findings.

Description of Corrective Action Plan: Madison County no longer administers the WIOA Grants through JobSource. These are now administered through Interlocal Assistance, which is based in Greenfield. In 2019, after several negative audit findings and other concerns about management and operations, the Madison County Commissioners chose to change course with respect to the Executive Director of JobSource. In early 2019, the new Director was put in and began evaluating management issues and audit concerns. This was part of the 2018 corrective action plan. Unfortunately, Region 5, which administers the grants, chose to terminate its contract with JobSource for political and other reasons. This resulted in Interlocal Assistance out of Greenfield now administering the grants. The Madison County Commissioners find this to be of potential concern, but do not believe any corrective action plan will be needed since Madison County no longer administers the grants and won't at the time of the 2020 audit.

Anticipated Completion Date: Immediately

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/>.