

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

BARTHOLOMEW COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED

11/10/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Pia O'Connor	01-01-20 to 12-31-21
County Treasurer	Barbara Hackman	01-01-20 to 12-31-21
Clerk of the Circuit Court	Jay Phelps Julie Robertson (interim) Shari Lentz	01-01-20 to 04-15-21 04-16-21 to 04-23-21 04-24-21 to 12-31-21
County Sheriff	Matthew A. Myers	01-01-20 to 12-31-21
President of the Board of County Commissioners	Rick Flohr Larry Kleinhenz	01-01-20 to 12-31-20 01-01-21 to 12-31-21
President of the County Council	Matt Miller R. Scott Bonnell	01-01-20 to 12-31-20 01-01-21 to 12-31-21



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 BARTHOLOMEW 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 Bartholomew County (County), for the year ended December 31, 2020, and the related notes to the financial statement, which collectively comprise the County's financial statement and have issued our report thereon dated October 25, 2021, 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 2020-001, 2020-002, and 2020-003, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001, 2020-002, and 2020-003.

Bartholomew 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 25, 2021



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

TO: THE OFFICIALS OF BARTHOLOMEW COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited Bartholomew County's (County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2020. The County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

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

We have audited the financial statement of the County, as of and for the year ended December 31, 2020, and the related notes to the financial statement. We issued our report thereon dated October 25, 2021, 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 25, 2021

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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.

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BARTHOLOMEW COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2020

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>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY2020	\$ -	\$ 4,341
Child Nutrition Cluster					
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553	FY2020	-	5,613
School Breakfast Program					
Total - School Breakfast Program				-	9,954
National School Lunch Program	Indiana Department of Education	10.555	FY2020	-	6,077
School lunch Program					
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555	FY2020	-	8,402
School Lunch Program					
Total - National School Lunch Program				-	14,479
Total - Child Nutrition Cluster				-	24,433
Total - Department of Agriculture				-	24,433
<u>Department of Housing and Urban Development</u>					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs	14.228			
CDBG			B19DC18001	-	10,790
Community Development Block Grant			B18DC18001	-	10,000
Total - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii				-	20,790
Total - Department of Housing and Urban Development				-	20,790
<u>Department of Justice</u>					
Crime Victim Assistance	Indiana Criminal Justice Institute	16.575			
VOCA			2017-VA-GX-0004	-	121,561
Violence Against Women Formula Grants	Indiana Criminal Justice Institute	16.588			
Violence Against Women Formula Grants			2018-WF-AX-0046	-	33,674
Violence Against Women			2017-WF-AX-0046	-	11,021
Total - Violence Against Women Formula Grants				-	44,695
Residential Substance Abuse Treatment for State Prisoners	Indiana Criminal Justice Institute	16.593			
Residential Substance Abuse Treatment for State Prisoners			2017-RT-BX-0025	-	136,377

BARTHOLOMEW COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2020

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
Residential Substance Abuse Treatment for State Prisoners 16.593 ICJI RSAT Grant			2018-J2-BX-0035 2016-RT-BX-0044	- -	69,778 18,144
Total - Residential Substance Abuse Treatment for State Prisoners				-	224,299
Total - Department of Justice				-	390,555
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction Highway Planning and Construction Bridge Inspection	Indiana Department of Transportation	20.205	DES 1700732 DES 1500192	- -	110,516 104,942
Total - Highway Planning and Construction Cluster				-	215,458
Highway Safety Cluster State and Community Highway Safety 20.616 OPO Grant	Indiana Criminal Justice Institute	20.600	032NHTSA402CF19	-	11,744
Total - Highway Safety Cluster				-	11,744
Total - Department of Transportation				-	227,202
<u>Department of Treasury</u>					
COVID-19 - Coronavirus Relief Fund CRF	Indiana State Department of Health	21.019	400_COVIDRELIEF	-	122,994
COVID-19 - Coronavirus Relief Fund CRF	Indiana Finance Authority	21.019	400_COVIDRELIEF	13,238	2,684,820
Total - COVID-19 - Coronavirus Relief Fund				13,238	2,807,814
Total - Department of Treasury				13,238	2,807,814
<u>Election Assistance Commission</u>					
COVID-19 2020 HAVA CARES Act Grant Election Security	Indiana Secretary of State	90.404	040_INCOVID2020	-	53,065
Total -COVID-19 2020 HAVA CARES Act Grant				-	53,065
Total - Election Assistance Commission				-	53,065
<u>Department of Health and Human Services</u>					
Public Health Emergency Preparedness Public Health Preparedness	Indiana State Department of Health	93.069	EDS#A70-4-0532196	-	25,145

BARTHOLOMEW COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2020

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
Immunization Cooperative Agreements 93.268 Immunization Program	Indiana State Department of Health	93.268	A70-5-073170	-	19,869
Child Support Enforcement	Indiana Department of Child Services	93.563			
General IV-D			FY2020	-	383,878
Prosecutor Incentive			FY2020	-	36,771
INDIRECT COST			FY2020	-	136,081
Clerk Incentive			FY2020	-	29,068
IV-D Incentive			FY2020	-	6,650
Total - Child Support Enforcement				-	592,448
State Court Improvement Program CIP	Indiana Supreme Court	93.586	G-1901INSCIT	-	5,000
Opioid STR Opioid	Indiana Supreme Court	93.788	022OPIOIDSORF19	-	39,203
Total - Department of Health and Human Services				-	681,665
<u>Department of Homeland Security</u>					
Emergency Management Performance Grants 97.042 EMPGP EMW-2015-EP-00037	Indiana Department of Homeland Security	97.042			
			EMC-2018-EP-00005	-	17,338
			EMC-2019-EP-00003	-	48,647
Total - Emergency Management Performance Grants				-	65,985
Homeland Security Grant Program Active Shooter Grant	Indiana Department of Homeland Security	97.067	EMW-2016-SS-00078	-	131,509
Total - Department of Homeland Security				-	197,494
Total federal awards expended				<u>\$ 13,238</u>	<u>\$ 4,403,018</u>

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

BARTHOLOMEW 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, 2020. 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.

BARTHOLOMEW COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

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

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

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
21.019	COVID-19 - Coronavirus Relief Fund	Unmodified

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

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2020-001

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

Condition and Context

There were several deficiencies in the internal control system of the County Auditor related to financial transactions and reporting.

Financial Transactions

The following deficiencies were noted during the audit:

BARTHOLOMEW COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

1. The County Auditor's financial software was not closed timely at month and year end. As a result, backdating of transactions occurred.
2. Journal entries were used to record transactions including transfers, adjustments and/or corrections and other transactions. The journal entries did not always include sufficient supporting documentation or evidence of a review, nor were these transactions approved by the County Auditor as fiscal officer, or, when required, by the Board of County Commissioners.
3. Transfers between funds were not always recorded correctly. In some instances, the transfers were not properly classified as transfers. Also, in some instances, only one side of the transaction was posted correctly as a transfer.

The lack of internal controls and noncompliance were systemic problems throughout the audit period.

Reporting

Financial activity associated with the County's 2019 Highway garage project (Highway Bond 2019 fund and ONB Local Income Tax Revenue Bond Series 2019 fund) was not reported on the County Auditor's funds ledger. These funds were also not reported on the Indiana Gateway for Government Units financial reporting system, which was used to generate the Annual Financial Report (AFR) and financial statement. As a result, the 2020 financial statement beginning cash balance was understated by \$5,961,961, receipts were understated by \$915,554, disbursements were understated by \$4,209,845, and the ending cash balance was understated by \$2,667,670. Additionally, there were multiple other funds' receipts, disbursements, and/or cash and investment balances which were reported incorrectly on the financial statement.

Audit adjustments were proposed, approved, and made to the financial statement.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

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

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

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. . . ."

BARTHOLOMEW COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

"The state examiner shall require from every audited entity 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 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 County Auditors of Indiana, Chapter 1)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

Cause

Management had not established a system of internal controls to ensure proper reporting of the AFR and financial statement.

Effect

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

Views of Responsible Officials

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

FINDING 2020-002

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

Repeat Finding

This is a repeat finding regarding bank reconcilements from the immediately prior audit report. The prior audit finding number was 2019-001.

Condition and Context

There were several deficiencies in the internal control system of the County Treasurer related to financial transactions and reporting.

BARTHOLOMEW COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Bank Reconcilements

There was no audit evidence presented to indicate effective internal controls were established to ensure that the monthly bank reconcilements were complete and accurate. A review of the December 31, 2020 reconciliation included errors that had not been detected during the reconciliation process. Specifically, after the bank reconciliation had been completed and reviewed; subsequent transactions were posted as of December 31; however, no supporting documentation was presented for audit for these transactions, nor was the bank reconciliation adjusted for the changes.

Additionally, the County Treasurer's Daily Balance of Cash and Depositories' (Cash Book) Funds Ledger cash balance did not agree to the County Auditor's Funds Ledger balance as of December 31, 2020. As of December 31, 2020, the audited bank reconciliation indicated that the total cash and investments per the Cash Book was short \$201,586.

Cash Book

There was no evidence that the Cash Book was properly posted and balanced daily. For two days reviewed, the ending balance and the subsequent day's beginning balance did not agree. Furthermore, there was no clear audit trail of supporting documentation for amounts posted to the Cash Book, including adjustments and/or corrections.

There was no oversight or review process of either the routine transactions or corrections and/or adjustments posted to the Cash Book.

Reporting

The internal controls over the Supplemental CAR-1, used to report the amounts for the County Treasurer fund in the financial statement, were not effective. The amounts reported for the beginning cash balance, receipts, disbursements, and ending cash balance of the County Treasurer fund were incorrect.

Adjustments were proposed, approved by management of the County, and made to the financial statement.

The lack of internal controls and noncompliance were systemic issues 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.

BARTHOLOMEW 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. . . ."

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."

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

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

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

Cause

Management of the County Treasurer had not established a proper system of internal controls over financial transaction and reporting.

Effect

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

Views of Responsible Officials

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

BARTHOLOMEW COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2020-003

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2019-002.

Condition and Context

The County had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the County's Schedule of Expenditures of Federal Awards (SEFA).

The County failed to properly review the federal grant information prepared and submitted in Gateway. Although one employee prepared and entered the federal award information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

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

1. The Highway Planning and Construction grant expenditures were overstated by \$1,699,298.
2. The Child Support Enforcement grant expenditures were understated by \$439,800.
3. The COVID 19 - Coronavirus Relief Fund grant was omitted, which understated expenditures by \$2,807,814.
4. The Community Crossings grant was included on the SEFA in error, which overstated the expenditures by \$1,433,188.
5. The Adult Protective grant was included on the SEFA in error, which overstated the expenditures by \$251,652.
6. Several additional grants had individually immaterial errors that resulted in misstatements of expenditures with a net understatement of \$271,633.
7. Other errors included incorrect program names, pass-through entities, and identifying numbers, and not disclosing the amount passed through to a subrecipient.

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

BARTHOLOMEW 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control . . ."

2 CFR 200.62 states in part:

"*Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:

- (a) Transactions are properly recorded and accounted for, in order to:

- (1) Permit the preparation of reliable financial statements . . ."

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:

BARTHOLOMEW COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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

Management had not established an effective 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

No matters are reportable.

AUDITEE-PREPARED DOCUMENTS

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



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-001

Fiscal year in which the finding initially occurred: 2019

Status of Audit Finding: Ongoing and Continually Improving the Process

The Auditor's Office and Treasurer's Office continue working together to improve our process of implementing proper Internal Controls as set by the SBOA in their 2015 guidance manual, Uniform Internal Control Standards for Indiana Political Subdivisions, which Bartholomew County adopted in 2016 as required.

The required training of personnel concerning Internal Control Standards and Procedures, has been implemented and certifications have been reviewed by the SBOA Auditors.

We will continue to meet the required aspects of the Internal Control Standards and will further implement systems so that any errors are detected and corrective measures are made as needed.

We are continuously reviewing, implementing and training on procedures to ensure the reconciling of financial ledgers between the Auditor and Treasurer, as well as balancing to the Treasurer's Cash Book funds ledger each month.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-002

Fiscal year in which the finding initially occurred: 2012

Status of Audit Finding: Continuously Improving our Grant Process and Review

The Auditor's Office continuously strive to improve upon the Grant Process and Review. In 2020, we were able to implement new review and process changes regarding our grant process.

Bartholomew County Council has approved the hiring of a Grant Administrator. She started in our office on October 19, 2021. This person will have the ability to work hand in hand with other county departments on all grants starting with the submitting grant request, review, monitoring and proper reporting as required.

Although we are continuously improving our grant reporting process, we are still reviewing, implementing and training on procedures with the various departments and our staff to obtain and provide the information needed to ensure accurate reporting of the federal grant information.

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CORRECTIVE ACTION PLAN

FINDING 2020-001

Contact Person Responsible for Corrective Action: Pia O'Connor, Auditor Bartholomew County

Contact Phone Number: (812) 379-1510

Views of Responsible Official: I agree with the finding listed below

Description of Corrective Action Plan:

- Adjustments have been approved and made to the financial system in regards to the Highway Garage Project for 2020 and 2021. The funds included are Highway Bond Fund 2019 No. 4605 and ONB Local Income Tax Revenue Series No. 4610.

Anticipated Completion: Completed

- Past months and years have been closed in the Financial System. Only the current month of the current year is open for entries.

Anticipated Completion: Completed

- All supporting documentation for transfers will be kept in an electronic file. All documents requiring the approval of the County Council or County Commissioners will also be kept in an electronic format.

Anticipated Completion: Completed

- The reporting of Transfers into Gateway need to show both transfer in fund as well as the fund the transfer was taken from. This is reported when completing the annual report. A better understanding of this procedure and process has been implemented.

Anticipated Completion: Currently working on this. When the annual report is filed by February 28, 2022, this will be completed.

Our office will continue to meet the required aspects of the Internal Control Standards and will further implement systems so that any errors are detected and corrective measures are made as needed.

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**Bartholomew County Treasurer
Barbara J Hackman
440 Third St, Suite 103
Columbus, IN 47201
812-379-1530**

CORRECTIVE ACTION PLAN

FINDING 2020-002

Contact Person Responsible for Corrective Action: Barbara J Hackman, County Treasurer
Contact Phone Number: 812-379-1530

Views of Responsible Official: I am in agreement with the findings.

Description of Corrective Action Plan:

1. a. Proper procedures will be implemented to document all adjustments/corrections to any/all bank reconcilements.
b. Proper procedures will be implemented and reviewed in balancing the Cash Book Funds Ledger with the County Auditor's Funds Ledger.
2. a. Proper procedures will be implemented to make sure ending balances and beginning balances agree.
b. Proper procedures will be implemented to document all adjustments/corrections to any/all cash book posts.
c. Proper procedures will be implemented to review all transactions and adjustments/corrections to cash book posts.
3. a. Proper procedures will be implemented to address internal controls of the Supplemental CAR-1 reporting of the County Treasurer's fund.

Anticipated Completion Date:

This is an on-going procedural process that we hope to have implemented by 12/31/2021



CORRECTIVE ACTION PLAN

FINDING 2020-003

Contact Person Responsible for Corrective Action: Pia O'Connor, Auditor Bartholomew County

Contact Phone Number: (812) 379-1510

Views of Responsible Official: I agree with the findings as stated

Description of Corrective Action Plan:

The Auditor's Office continues to work with other county departments to improve the grant process. The County Council has approved our office to hire a Grant Administrator, who started in our office this week.

The responsibilities of this position are vast however, our main priority is the implementing a proper procedure and process to assist with the review of all grants, submitting monthly, quarterly or annual reporting required of such grants. She will work with the various departments starting with applying for the grants, documenting, reporting and balancing as well as any reporting into Gateway on the federal grants. This person will work closely with each department and the Chief Deputy to streamline our grants procedures and process to ensure accurate reporting and submission into Gateway.

Our office will continue to meet the required aspects of the Internal Control Standards and will further implement systems so that any errors are detected and corrective measures are made as needed.

Anticipated Completion Date: Continuously working to complete this by December 31, 2021

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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/>.