

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MORGAN COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
11/10/2021

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Audit Result and Comment:	
Internal Controls over Financial Transactions and Reporting.....	6
Exit Conference	7

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Dan Bastin	01-01-20 to 12-31-21
County Treasurer	Terry Clelland	01-01-20 to 12-31-21
Clerk of the Circuit Court	Stephanie Elliott	01-01-20 to 12-31-21
County Sheriff	Richard W. Myers	01-01-20 to 12-31-21
County Recorder	Jana K. Gray	01-01-20 to 12-31-21
President of the Board of County Commissioners	Ryan Goodwin Donald Adams	01-01-20 to 12-31-20 01-01-21 to 12-31-21
President of the County Council	Bryan Collier Kim S. Meredith	01-01-20 to 12-31-20 01-01-21 to 12-31-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF MORGAN COUNTY, INDIANA

This report is supplemental to our audit report of Morgan County (County), for the period from January 1, 2020 to December 31, 2020. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement Audit Report of the County, which provides our opinions on the County's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Result and Comment contained herein describes the identified reportable instance of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Result and Comment, incorporated within this report, was not verified for accuracy.

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

November 3, 2021

(This page intentionally left blank.)

COUNTY AUDITOR
MORGAN COUNTY

COUNTY AUDITOR
MORGAN COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

The County's internal controls were not effective in preventing errors in the Annual Financial Report (AFR) entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the financial statement.

The financial statement included the following errors:

- Supplemental County Annual Reports (SCAR) are submitted by outside departments for their financial information to be reported in the County's AFR on Gateway. The SCAR provided for the Clerk of the Circuit Court's Clerk Trust and Registry fund was correct, but the amount manually entered by the County into Gateway for disbursements for the fund was understated by \$6,334,500.
- The receipts and disbursements for the Settlement fund were understated by \$11,642,497. The County changed accounting software at the end of September 2020. In the conversion process the advance property tax draws posted in the former software were not converted during the transition.

Audit adjustments were proposed, accepted by the County, 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. . . ."

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](#)."

COUNTY AUDITOR
MORGAN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 3, 2021, with Dan Bastin, County Auditor; Terry Clelland, County Treasurer; Donald Adams, President of the Board of County Commissioners; and Vickie Kivett, Vice President of the County Council.