

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

MORGAN COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
11/17/2021

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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. Merideth	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 MORGAN 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 Morgan 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 November 3, 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 item 2020-001, 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
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters

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

Morgan 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

November 3, 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 MORGAN COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited Morgan 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.

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)

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.

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 November 3, 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, CPA
State Examiner

November 3, 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.

MORGAN 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 Housing and Urban Development</u>					
COVID-19 - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii OCRA COVID-19 Response Program	Office of Community and Rural Affairs	14.228	A192-20-CV-CV1-108	\$ 160,822	\$ 160,822
Total - Department of Housing and Urban Development				<u>160,822</u>	<u>160,822</u>
<u>Department of Justice</u>					
Crime Victim Assistance VOCA 18-20	Indiana Criminal Justice Institute	16.575	VOCA-2018-00211	-	40,121
Violence Against Women Formula Grants STOP 7/1/19-6/30/20	Indiana Criminal Justice Institute	16.588	Contract #38396	-	19,499
Bulletproof Vest Partnership Program Bulletproof Vest FY2018	Direct Grant	16.607	FY 2018	-	4,038
Total - Department of Justice				<u>-</u>	<u>63,658</u>
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction Bridge Inspection and Inventory 2018-2021 Bridge #52 Egbert Rd	Indiana Department of Transportation	20.205	A249-18-L180081 A249-19-L190034	- -	90,766 45,166
Total - Highway Planning and Construction				<u>-</u>	<u>135,932</u>
Total - Highway Planning and Construction Cluster				<u>-</u>	<u>135,932</u>
Highway Safety Cluster State and Community Highway Safety CHIRP-Click It to Live	Indiana Criminal Justice Institute	20.600	69A37518300001640INA	12,049	26,502
National Priority Safety Programs SAVE Stop Arm	Indiana Criminal Justice Institute	20.616	69A3752030000405DINL	3,470	9,100
Total - Highway Safety Cluster				<u>15,519</u>	<u>35,602</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated CHIRP-DUI	Indiana Criminal Justice Institute	20.608	69A3752030000405DINL	5,885	17,250
Interagency Hazardous Materials Public Sector Training and Planning Grants HAZ Material Emergency Preparedness FFY 18	Indiana Department of Homeland Security	20.703	FR-2020-HMEP-00413	-	11,400
Total - Department of Transportation				<u>21,404</u>	<u>200,184</u>

MORGAN 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 the Treasury</u>					
COVID-19 - Coronavirus Relief Fund Coronavirus Relief Fund	Indiana Finance Authority	21.019	FY 2020	-	2,274,828
Total - Department of the Treasury				-	2,274,828
<u>Election Assistance Commission</u>					
COVID-19 - 2020 HAVA Election Security Grants COVID Primary 2020 Election COVID Post 2020 Election	Indiana Secretary of State	90.404	040_INCOVID2020 040_INCOVID2020	- -	35,629 28,237
Total - COVID-19 - 2020 HAVA Election Security Grants				-	63,866
Total - Election Assistance Commission				-	63,866
<u>Department of Health and Human Services</u>					
Public Health Emergency Preparedness PHP CRI 19-20 PHP Base 19-20	Indiana State Department of Health	93.069	Contract #35421 Contract #35421	- -	18,866 16,813
Total - Public Health Emergency Preparedness				-	35,679
Child Support Enforcement Title IV-D County Incentive Title IV-D Reimb Prosecutor Expenditures Title IV-D Reimb Clerk Expenditures Title IV-D Reimb Courts Expenditures Indirect Cost Title IV-D Clerk Incentive Title IV-D Prosecutor Incentive	Indiana Department of Child Services	93.563	CY-2020 CY-2020 CY-2020 CY-2020 CY-2020 CY-2020 CY-2020	- - - - - - -	55,919 266,983 34,732 28,200 180,671 8,020 3,522
Total - Child Support Enforcement				-	578,047
Opioid STR J P Addictions Response	Indiana Supreme Court	93.788	20-5JC89-C55-033	-	31,762
Total - Department of Health and Human Services				-	645,488
<u>Department of Homeland Security</u>					
Homeland Security Grant Program SHSP-State Homeland Security FY 2018	Indiana Department of Homeland Security	97.067	EMW-2019-SS-00013-S01	-	149,880
Total - Department of Homeland Security				-	149,880
Total federal awards expended				\$ 182,226	\$ 3,558,726

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

MORGAN 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.

MORGAN 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 Office
Audit Findings: Material Weakness, Noncompliance

Condition and Context

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

The AFR and financial statement included the following errors:

- Supplemental County Annual Reports (SCAR) are submitted by outside departments for their financial information to be reported by 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 for disbursements for the fund was understated by \$6,334,500.

MORGAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- 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](#)."

Cause

Management of the County had not established a proper system of internal controls over financial transactions and reporting that would have ensured 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 AFR and financial statement included 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.

MORGAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

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AUDITEE-PREPARED DOCUMENTS

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



Dan Bastin
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dbastin@morgancounty.in.gov

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-001

Fiscal year in which the finding initially occurred: 2019

Status of Audit Finding: Corrective Action Plan described in the 2019 Federal Compliance Report was implemented as described.

FINDING 2019-002

Fiscal year in which the finding initially occurred: 2019

Status of Audit Finding: Corrective Action Plan described in the 2019 Federal Compliance Report was implemented as described.

FINDING 2019-003

Fiscal year in which the finding initially occurred: 2019

Status of Audit Finding: Corrective Action Plan described in the 2019 Federal Compliance Report was implemented as described.



Dan Bastin
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CORRECTIVE ACTION PLAN

FINDING 2020-001

Contact Person Responsible for Corrective Action: Dan Bastin
Contact Phone Number: (765) 342-1001

Views of Responsible Official:

No dispute of the finding.

Description of Corrective Action Plan:

The annual report preparation process will be revised to add an additional reviewer to the process and comparing current year annual financial report to the previous year audited annual financial report will be added to the review process.

Anticipated Completion Date:

Preparation of 2021 annual financial report.

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/>.