

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

OWEN COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
02/15/2022

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
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 <i>Government Auditing Standards</i>	3-4
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	5-7
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	10-11
Notes to Schedule of Expenditures of Federal Awards.....	12
Schedule of Findings and Questioned Costs.....	13-19
Auditee-Prepared Document:	
Corrective Action Plan	22-25
Other Reports.....	26

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Patty Steward Sheila Reeves	01-01-20 to 12-31-20 01-01-21 to 12-31-22
County Treasurer	Diane Stutsman	01-01-20 to 12-31-22
Clerk of the Circuit Court	Peggy Robertson Lesliann Sheese Burton	01-01-20 to 05-31-21 06-01-21 to 12-31-22
County Sheriff	Leonard S. Hobbs	01-01-20 to 12-31-22
County Recorder	Loretta Foster	01-01-20 to 12-31-22
County Highway Superintendent	Greg Melton	01-01-20 to 12-31-22
President of the Board of County Commissioners	Jeff Brother Gary Burton	01-01-20 to 12-31-20 01-01-21 to 12-31-22
President of the County Council	Andy Wood Polly Chesser	01-01-20 to 12-31-21 01-01-22 to 12-31-22



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 OWEN 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 Owen 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 January 31, 2022, 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 and 2020-003.

Owen 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

January 31, 2022



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 OWEN COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited Owen 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 January 31, 2022, 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

January 31, 2022

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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.

OWEN 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	Assistance Listings 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 CDBG	Indiana Department of Housing and Urban Development	14.228	A192-20-CV-CV1-109	\$ 250,000	\$ 250,000
Total - Department of Housing and Urban Development				250,000	250,000
<u>Department of Justice</u>					
Covid-19 - Coronavirus Emergency Supplemental Funding Program DOJ Grant	Indiana Criminal Justice Institute	16.034	Contract # 43408	-	13,990
Violence Against Women Formula Grants Stop Violence Against Women	Indiana Criminal Justice Institute	16.588	Contract # 38397	-	14,000
Total - Department of Justice				-	27,990
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction Owen County Highway 2020 CCMG	Indiana Department of Transportation	20.205	DES #1500243	-	80,809
Total - Highway Planning and Construction Cluster				-	80,809
Total - Department of Transportation				-	80,809
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus Relief Fund Owen County	Indiana Finance Authority	21.019	FY 2020	-	676,290
COVID-19 - Coronavirus Relief Fund COVID Clinic	Indiana State Department of Health	21.019	Contract #35426	-	47,997
Total - COVID-19 - Coronavirus Relief Fund				-	724,287
Total - Department of the Treasury				-	724,287
<u>Election Assistance Commission</u>					
COVID-19 - HAVA Election Security Grants Federal Election Cycle	Secretary of State	90.404	040_INCOVID2020	-	4,173
Total - Election Assistance Commission				-	4,173
<u>Department of Health and Human Services</u>					
Public Health Emergency Preparedness 2020 Public Health Emergency Preparedness	Indiana State Department of Health	93.069	40093069PHEPA20	-	7,441

OWEN 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	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
2019 Public Health Emergency Preparedness			40093069PHEPA21	-	15,883
Total - Public Health Emergency Preparedness				-	23,324
COVID-19 - Provider Relief Fund CARES Act Provider Relief Funds	Direct Grant	93.498	N/A	-	21,237
Child Support Enforcement	Indiana Department of Child Services	93.563			
Clerk IV-D			FY 2020	-	7,847
Prosecutor IV-D			FY 2020	-	104,885
Court IV-D			FY 2020	-	5,450
County Incentives			FY 2020	-	9,000
Clerk Incentives			FY 2020	-	6,368
Prosecutor Incentives			FY 2020	-	3,223
Indirect Costs			FY 2020	-	47,980
Total - Child Support Enforcement				-	184,753
State Court Improvement Program Court Reform Grant	Indiana Supreme Court	93.586	022FG1901INSCIT	-	515
Opioid STR Justice Partners Addictions Response Grant	Indiana Supreme Court	93.788	20-5JC89-C60-007	-	25,432
Total - Department of Health and Human Services				-	255,261
<u>Department of Homeland Security</u>					
Emergency Management Performance Grants Civil Defense	Indiana Department of Homeland Security	97.042	EMC-2020-EP-00001-S01	-	17,800
Total - Department of Homeland Security				-	17,800
Total federal awards expended				<u>\$ 250,000</u>	<u>\$ 1,360,320</u>

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

OWEN 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.

OWEN 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:

Assistance Listings 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

The County had not established effective internal controls in the County Auditor's office related to financial transactions and reporting.

The County had not established internal controls over the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source the County's financial statement. The County did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the financial statement.

OWEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Due to the lack of internal controls, the financial statement presented for audit did not properly reflect the financial activity of the County. There were numerous instances where the financial statement did not agree to the financial records and many funds were omitted from the financial statement, including the following outside departmental funds: After Settlement Collections, Inmate Trust, Jail Commissary, Clerk's Trust, and Prosecutor's LEAF Account.

The financial statement had reporting errors in 33 different funds. The net effect of these errors was that beginning cash and investments were overstated by \$1,630,497; receipts were overstated by \$875,979; disbursements were overstated by \$3,133,115; and ending cash and investments were understated by \$626,639.

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 that would have ensured proper financial reporting.

Effect

The failure to establish a system of internal controls enabled material misstatements or irregularities to remain undetected. The financial statement included the errors identified in the *Condition and Context*.

OWEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 - Clerk of the Circuit Court
Audit Finding: Material Weakness

Condition and Context

The County had not established effective internal controls in the Clerk of the Circuit Court's (Clerk's) office related to cash and investments, receipts, disbursements, and financial transactions and reporting.

Cash and Investments

The Clerk of the Circuit Court (Clerk) had not established a system of internal controls, including segregation of duties, to ensure the accuracy of the bank reconciliations. The individual with the responsibilities for receipting and disbursing funds also performed the monthly bank reconciliations. There was no evidence of an oversight, review, or approval process.

Receipts

The Clerk had not established a system of internal controls, including segregation of duties, to ensure the accuracy of receipts. The individuals with the responsibilities for reconciling the daily trust and support receipts also prepared the bank deposit. There was no evidence of an oversight, review, or approval process.

Disbursements

The Clerk had not established a system of internal controls, including segregation of duties, to ensure the accuracy of disbursements. The individuals with responsibilities to disburse funds had complete control over this function. There was no evidence of an oversight, review, or approval process.

Financial Close and Reporting

The Clerk had not established a system of internal controls, including segregation of duties, to ensure that the Supplemental Annual Financial Report was prepared and provided to the County Auditor, so that the financial transactions of the Clerk's office could be included in the Annual Financial Report and 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:

OWEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

"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. . . ."

Cause

Management of the Clerk's office had not established a proper system of internal controls that would have ensured the preparations of accurate and complete monthly bank reconciliations or timely and accurate recording and reporting of financial transactions to the County Auditor.

Effect

The failure to establish system of internal controls could have enabled material misstatements or irregularities to remain undetected.

Views of Responsible Officials

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

FINDING 2020-003

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

Condition and Context

The County had not established 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 grant information entered into the Gateway system was compiled and entered by the County Auditor without an internal control process in place to prevent, or detect and correct, misstatements on the SEFA.

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

1. The Highway Planning and Construction grant expenditures were overstated by \$606,572.
2. The Child Support Enforcement grant was not reported, resulting in an understatement of expenditures of \$184,753.
3. The COVID-19 - Coronavirus Relief Fund grant expenditures were understated by \$47,997.

OWEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

4. Multiple nonfederal grants were reported, resulting in an overstatement of expenditures of \$200,231.
5. There were various other grants not reported or misstated resulting in a net understatement of expenditures of \$33,614.
6. Additional errors included incorrect program names, assistance listing numbers, and identifying numbers. Further, errors included missing pass-through entities.

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

Criteria

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

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

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

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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 . . ."

OWEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 Assistance Listings Number or other identifying number when the Assistance Listings 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 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*.

OWEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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.

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AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the County. The document is presented as intended by the County.



CORRECTIVE ACTION PLAN
Exit Conference-January 31, 2022

FINDING 2020-001

Contact Person Responsible for Corrective Action: Sheila Reeves
Contact Phone Number: 812-829-5000 Ext. 170

Views of Responsible Official: We concur with the findings.

It has definitely been determined that there are/were multiple errors in the accounting processes and oversight of this Department as well as with the duties of the Commissioners and County Council.

Description of Corrective Action Plan: Focus-Internal Controls

1. As a new Auditor, I feel it is important to implement updated Internal Controls for the following processes to help assure that future Annual Financial Reports are submitted correctly. In addition, I will seek any State Training opportunities to help learn the requirements as well. I do feel that I have a better understanding of the AFR Funds and Reporting Process from the auditing process during these last couple of months.

Develop an inner Department process that will allow for assistance from the staff for the submission of the AFR.

Document and clearly communicate who will initiate, submit, process, authorize, review and/or reconcile each activity within the unit per the report(s).

Validate these controls are present and functioning throughout the year and not just at the end of the year.

Conduct review/testing earlier in the year as well as monitor the Monthly Reports with Fund Balances. Those Reports are also submitted to the Commissioner's and Council Members with a Financial Overview given at each meeting.

No one person will Initiate a transaction, Approve the transaction, Record a transaction and Reconcile the transactions. Therefore, there will now be at least two sets of eyes to review the report. Identified errors shall be corrected upon discovery or within a reasonable period. This will help assist with the accuracy for the end of the year totals.

*Concern due to the limited number of personnel in the office, there are inherent limitations to segregation and/or assistance with duties among personnel. Presently, one individual prepares claims/checks, one performs all payroll duties, one property tax management, and one property transfer deputy.

I have also submitted Forms 7, 9, and 45 in review of inner Department issues that have been identified from past audits. We have begun implementing those processes and/or changes.

2. The County Commissioners implemented a new Ordinance in 2021 that appointed an Internal Controls Committee that consist of a Commissioner, Council Member and Elected Official. While they have not met as of yet; I do anticipate meetings to begin and will most definitely utilize them in the review process.

Anticipated Completion Date: Updated processes will begin immediately to help with the required information to be entered, monitored, and submitted correctly.

FINDING 2020-003

Contact Person Responsible for Corrective Action: Sheila Reeves

Contact Phone Number: 812-829-5000 ext170

Views of Responsible Official: We concur with the Finding.

Description of Corrective Action Plan: Focus-Internal Controls

While I was not the Auditor entering the Grants Information into the system and due to many of the Funds that were not entered into our LOW System it has become apparent to have an oversight committee and staff assistance with review of all funds being kept and/or entered throughout the year. I will offer the same processes stated in the 2020-01 as the corrective actions to be taken.

Develop an inner Department process that will allow for assistance from the staff for the submission of the AFR. Document and clearly communicate who will initiate, submit, process, authorize, review and/or reconcile each activity within the unit per the report(s)

Validate these controls are present and functioning throughout the year and not just at the end of the year.

Conduct review/testing earlier in the year as well as monitor the Monthly Reports with Fund Balances. Those Reports are also submitted to the Commissioner's and Council Members with a Financial Overview given at each meeting.

No one person will Initiate a transaction, Approve the transaction, Record a transaction and Reconcile the transactions. Therefore, there will now be at least two sets of eyes to review the report. Identified errors shall be corrected upon discovery or within a reasonable period. This will help assist with the accuracy for the end of the year totals.

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3. Specifically for the Federal Awards Management.

Copies of all Grants will be provided and reviewed periodically in the Auditors Office.

(Only five grant applications/awards were here in the office when I started)

The Commissioners have recently reviewed with all Departments their policy that they must submit all Grant Application requests to them first, and Council second for funding approval and then to the Auditor for permanent record and all other necessary steps to ensure that reporting is done and maintained for AFR's.

Lastly, during this Annual Audit discussion and review with the SBOA Examiners has provided a better understanding of the requirements and proper record keeping that is necessary to maintain records.

Respectfully Submitted,

Sheila Reeves
Owen County Auditor



**OWEN COUNTY CIRCUIT CLERK
LESLIANN SHEESE-BURTON**

PO BOX 146
SPENCER, IN. 47460
PH. 812-829-5015
FAX 812-829-5147

CORRECTIVE ACTION PLAN
Exit Conference January 31, 2022

FINDING 2020-002

Contact Person Responsible for Corrective Action: Lesilann Sheese-Burton

Contact Phone Number: 812-829-5015 Ext.133

Views of Responsible: We concur with the findings.

Description of Corrective Action Plan: Internal Controls

Since taking office as of June 1, 2021, I have implemented Internal Controls through out the Clerks Office. The bookkeeper does not receipt and or disburses the funds. The bookkeeper balances monthly and year end bank reconciliations. End of the day deposits are done by someone other then the bookkeeper. I verify and initial all deposits slips. Supplemental Annual Financial Report for the year 2021 was submitted January 19, 2022.

Respectfully Submitted,

Lesliann Sheese-Burton
Owen County Clerk

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/>.