

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SPENCER COUNTY, INDIANA

January 1, 2020 to December 31, 2020



**FILED**  
03/07/2022



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SCHEDULE OF OFFICIALS

| <u>Office</u>                                     | <u>Official</u>   | <u>Term</u>          |
|---|-------------------|----------------------|
| County Auditor                                    | Heidi Greene      | 01-01-20 to 09-03-20 |
|   | Melissa L. Bunner | 09-04-20 to 12-31-22 |
| County Treasurer                                  | Susan Harris      | 01-01-20 to 12-31-20 |
|   | Elaine Jones      | 01-01-21 to 12-31-22 |
| Clerk of the Circuit Court                        | Sara Arnold       | 01-01-20 to 12-31-20 |
|   | Darrell Stephens  | 01-01-21 to 12-31-22 |
| County Sheriff                                    | Kelli Reinke      | 01-01-20 to 12-31-22 |
| County Recorder                                   | Vicki Brauns      | 01-01-20 to 12-31-22 |
| President of the Board of<br>County Commissioners | James Seiler      | 01-01-20 to 12-31-20 |
|   | Thomas Brown      | 01-01-21 to 12-31-21 |
|   | James Seiler      | 01-01-22 to 12-31-22 |
| President of the<br>County Council                | Aaron Benton      | 01-01-20 to 12-31-21 |
|   | Steve Haaff       | 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 SPENCER 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 Spencer 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 February 17, 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, 2020-003, and 2020-004, 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, 2020-003, and 2020-004.

***Spencer 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.



Beth Kelley, CPA, CFE  
Deputy State Examiner

February 17, 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 SPENCER COUNTY, INDIANA

**Report on Compliance for the Major Federal Program**

We have audited Spencer 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 February 17, 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.



Beth Kelley, CPA, CFE  
Deputy State Examiner

February 17, 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.

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

| Federal Grantor Agency<br>Cluster Title/Program Title/Project Title                         | Pass-Through Entity or Direct Grant     | Assistance<br>Listings<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Passed Through<br>to Subrecipient | Total<br>Federal Awards<br>Expended |
|---|---|----------------------------------|--|-----------------------------------|-------------------------------------|
| <u>Department of Justice</u>  |   |                                  |  |                                   |                                     |
| Crime Victim Assistance<br>VOCA Grant   | Indiana Criminal Justice Institute      | 16.575                           | 2017-VA-GX-0004  | \$ -                              | \$ 26,681                           |
| Total - Department of Justice   |   |                                  |  | -                                 | 26,681                              |
| <u>Department of Transportation</u>   |   |                                  |  |                                   |                                     |
| Highway Planning and Construction Cluster<br>Highway Planning and Construction              | Indiana Department of Transportation    | 20.205                           |  |                                   |                                     |
| Bridge Inspection   |   |                                  | 159301600  | -                                 | 65,139                              |
| Sign Modernization  |   |                                  | 160089300  | -                                 | 34,592                              |
| Total - Highway Planning and Construction   |   |                                  |  | -                                 | 99,731                              |
| Total - Highway Planning and Construction Cluster   |   |                                  |  | -                                 | 99,731                              |
| Interagency Hazardous Materials Public Sector Training and Planning Grants<br>Event Manager | Indiana Department of Homeland Security | 20.703                           | 693JK31940014HMEP  | -                                 | 3,200                               |
| Total - Department of Transportation  |   |                                  |  | -                                 | 102,931                             |
| <u>Department of the Treasury</u>   |   |                                  |  |                                   |                                     |
| COVID-19 - Coronavirus Relief Fund<br>CARES Provider Relief Fund 8900                       | Indiana Finance Authority               | 21.019                           | 2020   | -                                 | 659,484                             |
| Total - Department of Treasury  |   |                                  |  | -                                 | 659,484                             |
| <u>Election Assistance Commission</u>   |   |                                  |  |                                   |                                     |
| COVID-19 - 2020 HAVA CARES Act Grant<br>CARES Election Security                             | Indiana Secretary of State              | 90.404                           | 20-5JC89   | -                                 | 3,563                               |
| Total - Election Assistance Commission  |   |                                  |  | -                                 | 3,563                               |
| <u>Department of Health and Human Services</u>  |   |                                  |  |                                   |                                     |
| Public Health Emergency Preparedness<br>Emergency Preparedness Gt 1159-4316.00              | Indiana State Department of Health      | 93.069                           | NU90TP922052   | -                                 | 26,565                              |
| Immunization Cooperative Agreements<br>Health Dept- Immunizations Grant 9104                | Indiana State Department of Health      | 93.268                           | 35483  | -                                 | 29,183                              |

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

| Federal Grantor Agency<br>Cluster Title/Program Title/Project Title | Pass-Through Entity or Direct Grant     | Assistance<br>Listings<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Passed Through<br>to Subrecipient | Total<br>Federal Awards<br>Expended |
|---|---|----------------------------------|--|-----------------------------------|-------------------------------------|
| Child Support Enforcement   | Indiana Department of Child Services    | 93.563                           |  |                                   |                                     |
| Child Support Incentive 8899-1100.00                                |   |                                  | Clerk  | -                                 | 10,604                              |
| Child Support - IV-D 1000-3036.50                                   |   |                                  | Clerk Expenses   | -                                 | 8,069                               |
| Child Support Incentive 1000-3036.25                                |   |                                  | Indirect Costs   | -                                 | 28,598                              |
| Child Support Incentive 1000-3036.75                                |   |                                  | Judges Expenses  | -                                 | 16,702                              |
| Prosecutor Incentive 8897-1100.00                                   |   |                                  | Prosecutor   | -                                 | 22,436                              |
| Child Support Incentive 1000-3036.00                                |   |                                  | Prosecutor Expenses  | -                                 | 56,761                              |
| County IV-D Incentive 8895-1100.00                                  |   |                                  | Title IV-D   | -                                 | 5,091                               |
|   |   |                                  |  | <u>-</u>                          | <u>148,261</u>                      |
| Total - Child Support Enforcement                                   |   |                                  |  | -                                 | 148,261                             |
| Opioid STR  | Indiana Supreme Court                   | 93.788                           |  |                                   |                                     |
| Justice Partners Gt/SIM Opioid                                      |   |                                  | 022OPIOIDSORF19  | -                                 | 20,717                              |
|   |   |                                  |  | <u>-</u>                          | <u>20,717</u>                       |
| Total - Department of Health and Human Services                     |   |                                  |  | -                                 | 224,726                             |
| <u>Department of Homeland Security</u>                              |   |                                  |  |                                   |                                     |
| Emergency Management Performance Grants                             | Indiana Department of Homeland Security | 97.042                           |  |                                   |                                     |
| 2019 EMPG/ EMA Salary Reimbursement                                 |   |                                  | EMC-2019-EP-0003   | -                                 | 21,902                              |
| EMPG - Access Control & Identity Verification                       |   |                                  | EMC-2019-EP-0003   | -                                 | 4,000                               |
|   |   |                                  |  | <u>-</u>                          | <u>25,902</u>                       |
| Total - Emergency Management Performance Grants                     |   |                                  |  | -                                 | 25,902                              |
| BRIC: Building Resilient Infrastructure and Communities             | Indiana Department of Homeland Security | 97.047                           |  |                                   |                                     |
| MHMP Update   |   |                                  | EMC-2017-PC-0004   | -                                 | 1,738                               |
|   |   |                                  |  | <u>-</u>                          | <u>1,738</u>                        |
| Homeland Security Grant Program                                     | Indiana Department of Homeland Security | 97.067                           |  |                                   |                                     |
| Public Safety Project   |   |                                  | EMW-2016-SS-00078  | -                                 | 14,595                              |
| Public Safety Project (Response Enhancement)                        |   |                                  | EMW-2019-SS-00013  | -                                 | 135,310                             |
|   |   |                                  |  | <u>-</u>                          | <u>149,905</u>                      |
| Total - Homeland Security Grant Program                             |   |                                  |  | -                                 | 149,905                             |
| Total - Department of Homeland Security                             |   |                                  |  | -                                 | 177,545                             |
| Total federal awards expended                                       |   |                                  |  | <u>\$ -</u>                       | <u>\$ 1,194,930</u>                 |

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

SPENCER 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.

SPENCER 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<br>Listings<br>Number | Name of Federal Program or Cluster | Opinion<br>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 |
|--|----|

**Section II - Financial Statement Findings**

**FINDING 2020-001**

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 in the Indiana Gateway for Government Units financial reporting system, which was the source of the County's Schedule of Expenditures of Federal Awards (SEFA). The County did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the SEFA.

SPENCER COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

1. The Highway Planning and Construction Cluster was omitted, which understated expenditures by \$99,731.
2. The COVID-19 - Coronavirus Relief Fund grant was omitted, which understated expenditures by \$659,484.
3. The COVID-19 - 2020 HAVA CARES Act Grant was omitted, which understated expenditures by \$3,563.
4. The Immunization Cooperative Agreements expenditures were overstated by \$12,361.
5. The Child Support Enforcement expenditures were overstated by \$8,786.
6. The Opioid STR grant was omitted, which understated expenditures by \$20,717.
7. The BRIC: Building Resilient Infrastructure and Communities grant was omitted, which understated expenditures by \$1,738.
8. The Homeland Security Grant Program expenditures were understated by \$14,488.
9. Three nonfederal grants were included, which overstated expenditures by \$34,378.
10. Amounts shown as passed through to subrecipients were overstated by \$452,908.
11. Other errors included incorrect program names, pass-through entity names, and pass-through identifying numbers.

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

*Criteria*

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

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

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

SPENCER COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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:

- (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.

SPENCER COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (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(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*.

*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: Internal Controls over Financial Transactions and Reporting - County Auditor  
Audit Findings: Material Weakness, Noncompliance

*Condition and Context*

There were deficiencies in the internal control system of the County related to financial transactions and reporting. The County Auditor had not established an effective system of internal controls over disbursements and financial close and reporting.

*Disbursements*

The County utilized a third-party to process self-insurance disbursements. The third-party processed all disbursements and sent weekly updates to the County Auditor and Deputy County Auditor; however, there was no documented review and approval of the disbursements by the County Auditor. Also, disbursements were not presented to the Board of County Commissioners for their review and approval.

SPENCER COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Financial Close and Reporting*

The County Auditor and Deputy County Auditor worked together to prepare the Annual Financial Report (AFR). Prior to submission of the AFR, the County Auditor performed a final review of the report. However, there was no audit evidence provided to show that this process took place during 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.

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 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

SPENCER COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

Management of the County had not established a proper system of internal controls.

*Effect*

The failure to establish a system of internal controls that operated effectively 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: Internal Controls over Financial Transactions and Reporting - Clerk of the Circuit Court  
Audit Findings: Material Weakness, Noncompliance

*Condition and Context*

The Clerk of the Circuit Court (Clerk) had not established an effective system of internal controls over financial transactions and reporting. The Clerk could not provide adequate supporting documentation to support the amounts reported on the Supplemental Annual Financial Report. There was no evidence that proper internal controls were in place to verify the financial information provided to the County Auditor. Alternative procedures were performed to verify that the amounts reported were materially accurate.

*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. . . ."

SPENCER 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](#)."

*Cause*

Management of the County had not established a proper system of internal controls.

*Effect*

Without a proper system of internal controls in place that operated effectively, adequate supporting documentation was not available and alternative procedures were required to verify the accuracy of amounts reported.

*Views of Responsible Officials*

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

**FINDING 2020-004**

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

*Condition and Context*

There was a deficiency in the internal control system of the County Treasurer related to financial transactions and reporting. The County Treasurer had not established an effective system of internal controls over cash and investments.

The County Treasurer's bank reconciliation was being performed each month; however, the December 31, 2020 Treasurer's Daily Balance of Cash and Depositories had math errors totaling \$1,719,347. Additionally, it did not reconcile to the balance on the monthly financial statement. The internal controls were not effective and did not detect and allow for correction of errors in a timely manner.

A recalculation of the bank reconciliation at December 31, 2020, showed the reconciled bank balances with \$31,691 less than the County's funds ledger balances.

*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:

SPENCER 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. . . ."

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."

*Cause*

Management of the County had not established a proper system of internal controls.

*Effect*

Without a proper system of internal controls in place that operated effectively, errors as outlined in the *Condition and Context* remained undetected.

*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 DOCUMENT

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

# Melissa L. Bunner

## Auditor of Spencer County

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Courthouse ☆ 200 Main St. Room #6- Rockport, IN 47635

(812) 649-4376      FAX (812) 649-6005      [spenceraud@psci.net](mailto:spenceraud@psci.net)

### CORRECTIVE ACTION PLAN

#### ***FINDING 2020-001***

Contact Person Responsible for Corrective Action: Melissa Bunner  
Contact Phone Number: 812-649-6004

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: There are a couple of steps that need to be added / changed to this process.

First, the Auditor's office only receives the grant information at the end of the year. This leaves the chance for them to be misplaced or forgotten. The Auditor's office is requesting each grant be submitted to our office at the time of request / approval.

Second, the Deputy Auditor receives the information at face value. There is a form submitted along with each grant which, if filled out correctly, provides all the details that need to be entered. However, the Deputy Auditor needs to take the next step to verify the full program name, the CFDA number, and the exact name of the "grantor". Most of our errors could have been avoided if the information was double checked for accuracy.

Third, the Auditor needs to represent a checks and balances with the Deputy Auditor. This tends to fall to the wayside when there is Auditor "turnover" and deadlines need to be met. As the Auditor, I will double check each entry and verify its accuracy before submission.

Anticipated Completion Date: 12/15/2021

# Melissa L. Bunner

## Auditor of Spencer County

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Courthouse ☆ 200 Main St. Room #6- Rockport, IN 47635

(812) 649-4376      FAX (812) 649-6005      [spenceraud@psci.net](mailto:spenceraud@psci.net)

### CORRECTIVE ACTION PLAN

#### ***FINDING 2020-002***

Contact Person Responsible for Corrective Action: Melissa Bunner  
Contact Phone Number: 812-649-6004

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan: There are a couple of steps that need to be added / changed to this process.

In reference to the first paragraph of Finding 2020-002 relating to disbursements, the following updates to procedures will be implemented. The Auditor will bring a copy of the spreadsheet showing the deposits, payments and running balance to the Commissioners for review and approval monthly. There will be a form signed by the Commissioners and the Auditor and kept in a binder for reference.

In reference to the second paragraph of Finding 2020-002 relating to the Annual Financial Report, the following updates to procedures will be implemented. As a form of checks and balances, the Deputy Auditor enters the information into Gateway and the Auditor reviews, approves and submits. The submission pin number is not enough to prove review and approval so the Auditor will initial a copy of the forms submitted in paper form and kept in a file for reference.

Anticipated Completion Date: 2/8/2022

Darrell Stephens  
Clerk of the Circuit Court  
Spencer County Courthouse  
200 Main Street  
Rockport, IN 47635

CORRECTIVE ACTION PLAN

**FINDING 2020-03**

Contact Person Responsible for Corrective Action: Darrell Stephens, Spencer County Clerk  
Contact Phone Number: 812-649-6029

Views of Responsible Official:

This office fully concurs with the audit findings.

Description of Corrective Action Plan:

Each employee in the clerk's office will balance their till daily, verifying that all tills are balanced (Step 1).

Accounting will then print a Cash Deposited Transactions report verifying that tills are balanced (Step 2, done by accounting).

A payment report, showing all incoming transactions for the day, will then be printed and reconciled with the Cash Deposited Transactions report. After these two reports are verified a Daily Cash Balance Report will be printed, showing the amount on hand at the beginning of the day; the amount received during the day (which will balance with the tills and the Deposited Transactions Report), and the amount on hand at the end of the day.

If there are no disbursements made then the Beginning balance, plus the daily receipts, will equal the ending balance. If there are disbursements then a Check Register report will be printed showing a history of checks issued that day. In the event that checks are issued then the daily beginning balance, on the Daily Cash Balance Report, plus the daily receipts, minus the disbursements column, will equal the ending balance.

If there are any discrepancies, i.e., a refund to PayGov for a misrouted payment then notes and proper documentation of the refund are included in the proper place in order to adequately explain the discrepancy, which will be corrected on the next day's report by showing the refund.

Upon completion of the Accounting process the clerk will review and verify (Step 3).

This process is done on a daily basis and is repeated at the end of the month with the same process to verify the monthly totals.

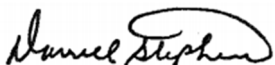
All reports used are from the Odyssey program used by the clerk's office.

Annual financial reports submitted to the auditor will be substantiated by a Daily Cash Balance report from the Odyssey program and by a ledger report of receipts and disbursements for the ISETS account. Both reports will also show beginning and ending balances in addition to the receipts and disbursements for the year submitted.

I might add that this procedure was implemented in January of 2021 and through the first 13 months of its use we have not had any variation from what we expected in our financial records.

Anticipated Completion Date: In place since January, 2021.

Respectfully,



Darrell Stephens  
Spencer County Clerk

Elaine Jones  
Treasurer of Spencer County  
Spencer County Courthouse  
200 Main Street, Room 7  
Rockport, IN 47635  
812-649-4556  
spencertrea@psci.net

## CORRECTIVE ACTION PLAN

### **FINDING 2020-004**

Contact Person Responsible for Corrective Action: Elaine Jones  
Contact Phone Number: 812-649-4556

Views of Responsible Official: We concur with the findings.

Description of Corrective Plan: As of October 2021 the Treasurer's report has been completed in the correct manner. The previous months had not reconciled across the page. The internal control has been corrected in that a Deputy Treasurer prepares the report and the Treasurer then reviews the report and compares the totals. This report is then given to the Auditor, Commissioners and Council for review. It is also uploaded to Gateway.

Anticipated Completion Date: Completed at this time.

## 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/>.