

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

POSEY COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
03/11/2022

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..... | 13-22 |
| Auditee-Prepared Document: | |
| Corrective Action Plan | 24-27 |
| Other Reports..... | 28 |

SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|---------------------------------|--|
| County Auditor | Maegan L. Greenwell | 01-01-20 to 12-31-22 |
| County Treasurer | Vicki J. Peerman | 01-01-20 to 12-31-22 |
| Clerk of the Circuit Court | Kay Kilgore | 01-01-20 to 12-31-22 |
| County Sheriff | Thomas E. Latham, Jr. | 01-01-20 to 12-31-22 |
| County Recorder | Mary Rhoades | 01-01-20 to 12-31-22 |
| President of the Board of County Commissioners | Carl A. Schmitz Bill Collins | 01-01-20 to 12-31-20 01-01-21 to 12-31-22 |
| President of the County Council | Heather Allyn | 01-01-20 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 POSEY 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 Posey 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 24, 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.

Posey 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 24, 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 POSEY COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited Posey 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 24, 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 24, 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.

POSEY 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 OCRA COVID-19 Program | Office of Community and Rural Affairs | 14.228 | B-CV1-CV-18-0001 | \$ - | \$ 250,000 |
| Total - Department of Housing and Urban Development | | | | - | 250,000 |
| <u>Department of Transportation</u> | | | | | |
| Highway Planning and Construction Cluster Highway Planning and Construction Bridge Study | Indiana Department of Transportation | 20.205 | DES #1593001 | - | 96,021 |
| Total - Highway Planning and Construction Cluster | | | | - | 96,021 |
| Highway Safety Cluster State and Community Highway Safety Operation Pullover | Indiana Department of Transportation | 20.600 | CHIRP-2020-00039-FR2 | - | 900 |
| Total - Highway Safety Cluster | | | | - | 900 |
| Total - Department of Transportation | | | | - | 96,921 |
| <u>Department of the Treasury</u> | | | | | |
| COVID-19 - Coronavirus Relief Fund CARES Act Grant | Indiana Finance Authority | 21.019 | 2020 | 1,241 | 828,614 |
| Total - Department of the Treasury | | | | 1,241 | 828,614 |
| <u>Election Assistance Commission</u> | | | | | |
| COVID-19 - 2020 HAVA CARES Act Grant Clerk HAVA - CARES | Indiana Secretary of State | 90.404 | FY 2020 | - | 9,855 |
| Total - Election Assistance Commission | | | | - | 9,855 |

POSEY 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 Health and Human Services</u> | | | | | |
| Public Health Emergency Preparedness PHEP Grant | Indiana State Department of Health | 93.069 | 1 NU90TP922052-01-00 | - | 25,000 |
| Child Support Enforcement | Indiana Department of Child Services | 93.563 | | | |
| Clerk Expenditures | | | FY 2020 | - | 36,710 |
| Prosecutor Expenditures | | | FY 2020 | - | 94,222 |
| Indirect Costs | | | FY 2020 | - | 80,856 |
| Prosecutor Incentives | | | FY 2020 | - | 59 |
| Clerk Incentives | | | FY 2020 | - | 8,360 |
| Total - Child Support Enforcement | | | | - | 220,207 |
| Opioid STR | Indiana Supreme Court Administration | 93.788 | | | |
| Circuit Court Opioid Grant | | | 20-5JC89-C65-011 | - | 55,158 |
| Circuit Court Opioid Grant | | | 20-5JC89-C65-011 | - | 1,779 |
| Total - Opioid STR | | | | - | 56,937 |
| Total - Department of Health and Human Services | | | | - | 302,144 |
| <u>Department of Homeland Security</u> | | | | | |
| Emergency Management Performance Grants EMA Salary Reimbursement | Indiana Department of Homeland Security | 97.042 | 38519EMPG000000 | - | 35,387 |
| Homeland Security Grant Program State Homeland Security Grant | Indiana Department of Homeland Security | 97.067 | EMW-2016-SS-00078 | - | 9,172 |
| Total - Department of Homeland Security | | | | - | 44,559 |
| Total federal awards expended | | | | <u>\$ 1,241</u> | <u>\$ 1,532,093</u> |

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

POSEY 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.

POSEY 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

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 control in place to prevent, or detect and correct, errors on the SEFA.

The SEFA presented for audit included the following errors:

POSEY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

1. The COVID-19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii program was omitted, which understated expenditures by \$250,000.
2. The Highway Planning and Construction program was omitted, which understated expenditures by \$96,021.
3. The COVID-19 - Coronavirus Relief Fund program was omitted, which understated expenditures by \$828,614. Further, the amount provided to a subrecipient was not reported separately on the SEFA.
4. The COVID-19 - 2020 HAVA CARES Act Grant program was omitted, which understated expenditures by \$9,855.
5. The Child Support Enforcement program was omitted, which understated expenditures by \$220,207.
6. The Opioid STR program was omitted, which understated expenditures by \$56,937.
7. The Emergency Management Performance Grants program was omitted, which understated expenditures by \$35,387.
8. The Homeland Security Grant Program was omitted, which understated expenditures by \$9,172.
9. Five State grants or other Non-Federal programs were included, which overstated expenditures by \$624,342.
10. Two additional grants had individually immaterial errors that resulted in understatements of expenditures of \$10,528, in total.
11. Additional errors included the omission of all federal grantor agency names, pass-through entity names, pass-through entity identifying numbers, as well as Assistance Listings Numbers. Further, all program names were reported incorrectly.

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.

POSEY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

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 mean 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.

POSEY 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."

Cause

Management had not established an effective system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control 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: Financial Transactions and Reporting - County Auditor
Audit Findings: Material Weakness, Noncompliance

Condition and Context

The County had established internal controls over financial transactions and reporting; however, the internal controls were not effective. The established internal controls did not prevent, or detect and correct, errors with reporting the financial information in the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report and financial statement.

The financial statement presented for audit included the following (overstatement)/understatements in receipts, disbursements, and cash and investment balances:

POSEY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

| Fund | Beginning Cash and Investments | Receipts | Disbursements | Ending Cash and Investments |
|--------------------------------|--------------------------------------|---------------------|---------------------|-----------------------------------|
| General | \$ 488,250 | \$ - | \$ (626) | \$ 488,876 |
| CEDIT County Share | 509,106 | 719,009 | 509,106 | 719,009 |
| Congressional School Principal | 44,000 | - | - | 44,000 |
| Payroll Fund | (271) | 6,501 | (2,674) | 8,904 |
| Child Support ONB | (3,964) | 255,364 | 256,748 | (5,348) |
| Odyssey ONB | - | 934,564 | 819,651 | 114,913 |
| Special Death Benefit Fund | (295) | (1,525) | (1,610) | (210) |
| After Settlement | - | 1,123,101 | 1,057,171 | 65,930 |
| Inmate Trust | - | 238,972 | 239,371 | (399) |
| Inmate Commissary | (10,038) | 104,719 | 116,135 | (21,454) |
| Reassessment (2009) | - | 494 | - | 494 |
| Totals | <u>\$ 1,026,788</u> | <u>\$ 3,381,199</u> | <u>\$ 2,993,272</u> | <u>\$ 1,414,715</u> |

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. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

POSEY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

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 had not established an effective system of internal control related to financial transactions and reporting. Additionally, management had not conducted risk assessment procedures related to the County's financial transactions and reporting.

Effect

The failure to establish an effective system of internal control enabled material misstatements of the financial statement to remain undetected. The financial statement contained the errors identified in the *Condition and Context*.

Views of Responsible Official

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

FINDING 2020-003

Subject: Financial Transactions and Reporting - Clerk of the Circuit Court
Audit Findings: Material Weakness, Noncompliance

Condition and Context

There were deficiencies in the internal control system of the Clerk of the Circuit Court (Clerk) related to financial transactions and reporting. The Clerk had not established an effective internal control system that separated incompatible activities related to cash and investments, receipts, disbursements, and financial close and reporting.

Cash and Investments

The Clerk prepared monthly bank reconciliations. There were no documented internal controls in place to prevent, or detect and correct, errors in cash and investments, such as an oversight, review, or approval process of the bank reconciliations.

POSEY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Receipts

The Chief Deputy Clerk prepared the daily deposit of the Circuit and Superior Court and delivered it to the bank. There was no documented oversight, review, or approval process over the receipting, depositing, and posting of receipts.

Disbursements

All Deputy Clerks had the ability to prepare checks. There were no documented internal controls in place to prevent, or detect and correct, errors in disbursements, such as an oversight, review, or approval process of the disbursements.

Financial Close and Reporting

Internal controls over the Supplemental CAR-1 report for the Clerk's financial information were not effective. The amounts reported for the Child Support ONB fund were incorrect. As a result, the beginning cash and investments balance was overstated by \$3,964, receipts were overstated by \$3,266, disbursements were overstated by \$1,996, and the ending cash and investments balance was overstated by \$2,653.

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](#)."

POSEY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management had not established a system of internal control related to financial transactions and reporting.

Effect

The failure to establish a system of internal control enabled misstatements in the financial statement to remain undetected. The financial statement contained the errors identified in the *Condition and Context*.

Views of Responsible Official

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

FINDING 2020-004

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

Condition and Context

There were deficiencies in the internal control system of the County Sheriff related to financial transactions and reporting of the Inmate Commissary fund and the Inmate Trust fund. The County Sheriff had not established an effective internal control system that separated incompatible activities related to disbursements, and financial close and reporting.

Disbursements

The County Sheriff, Matron, Administrative Assistant, and all jailers had the ability to prepare checks from the Inmate Trust fund with an autogenerated signature. There were no documented internal controls in place to prevent, or detect and correct, errors in disbursements, such as an oversight, review, or approval process of the disbursements.

The Matron had the ability to prepare and sign checks from the Inmate Commissary fund. There were no documented internal controls in place to prevent, or detect and correct, errors in disbursements, such as an oversight, review, or approval process of the disbursements.

Financial Close and Reporting

Internal controls over the Supplemental CAR-1 report for the County Sheriff's financial information were not effective. The amounts reported for the Inmate Commissary fund were incorrect. As a result, the beginning and ending cash and investments balances were overstated by \$1,594. The amounts reported for the Inmate Trust fund were incorrect. As a result, the beginning and ending cash and investments balances were overstated by \$154,487.

Audit adjustments were proposed, accepted by the County, and made to the financial statement.

POSEY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

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

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

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

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

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

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 had not established a system of internal control related to financial transactions and reporting. Additionally, management had not conducted risk assessment procedures related to the County Sheriff's financial transactions and reporting.

POSEY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

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

Views of Responsible Official

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.



Maegen L. Greenwell
126 E. 3rd Street Room 220
Mount Vernon, IN 47620
Phone: (812) 838-1300
Fax: (812) 838-1344

CORRECTIVE ACTION PLAN

FINDING 2020-001

Contact Person Responsible for Corrective Action: Maegen L Greenwell

Contact Phone Number: 812-838-1300

Views of Responsible Official: We concur with the findings

Description of Corrective Action Plan:

Moving forward Posey County will establish a spreadsheet to maintain and track all grants awarded.

Along with this information we will also include federal grantor agency names, pass-through entity names, pass through entity identifying numbers, as well as assistance listing numbers.

After the information is entered into Gateway it will be compared back to the spreadsheet by a second person.

Anticipated Completion Date: 02/28/2022

Maegen L Greenwell
Posey County Auditor



Maegen L. Greenwell
126 E. 3rd Street Room 220
Mount Vernon, IN 47620
Phone: (812) 838-1300
Fax: (812) 838-1344

CORRECTIVE ACTION PLAN

FINDING 2020-002

Contact Person Responsible for Corrective Action: Maegen L Greenwell

Contact Phone Number: (812)838-1300

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Posey County will print out all the steps in the financial software to be sure that the accurate reports are being pulled. The Auditor will verify everything entered by the Chief Deputy Auditor into Gateway before submission.

Anticipated Completion Date: 06/01/2022

Maegen L Greenwell
Posey County Auditor

**CLERK OF THE POSEY COUNTY
CIRCUIT/SUPERIOR COURTS
300 MAIN STREET, ROOM 115
MT. VERNON, IN 47620**

**Circuit Court
812.838.1306
Fax 812.838.1307**

**Superior Court
812.838.8368
Fax 812.838.8370**

CORRECTIVE ACTION PLAN

Finding 2020-003

Contact Person Responsible for Corrective Action: KAY KILGORE, CLERK

Contact Phone Number: (812) 838-1306

Contact Email: kay.kilgore@poseycountyin.gov

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

An Internal Controls Policy will be written and put in place for the Clerk of the Circuit Courts financial transactions. Controls that will be enacted and practiced immediately are:

Cash and Investments

The Chief Deputy/Bookkeeper and the Child Support Deputy will prepare, balance and approve each other's bank reconcilements.

Receipts

Each deputy clerk will receive their own cash drawer fund. A daily reconciliation report will be ran and verified by the deputy clerk who has that drawer. Another person will also review and sign off on the report to ensure the daily receipts and cash drawer balance at the end of the day.

Disbursements

All check disbursements, whether Child Support payments or Trust or bond checks are the result of a report generated from either ISET's (Child Support) or Odyssey. Whomever prints the checks from either system will provide the checks and report to another deputy for their verification and initials on the report that only the checks indicated were printed.

Financial Close and Reporting

The CAR-1 report will be prepared by one individual and reviewed and approved by another as evident by signatures to ensure the amounts reported are correct.

Anticipated Completion Date: Many of the controls have already begun, but the proposed internal controls in their entirety will be put in place immediately. The Internal Controls Policy in written form will be complete April 1, 2022.

Respectfully,

Kay Kilgore
Clerk of the Circuit/Superior Courts



Posey County

Sheriff's Office

Thomas E. Latham, Jr.
Sheriff

Office (812) 838-1321
Fax (812) 838-1322

Jeremy R. Fortune
Chief Deputy

CORRECTIVE ACTION PLAN

FINDING 2020-004

Contact Person Responsible for Corrective Action: Sheriff Thomas Edward Latham, Jr.

Contact Phone Number: (812) 838-1321 Ext: 1403

Views of Responsible Official:

I concur with the findings.

Description of Corrective Action Plan:

An additional person, other than the staff member who generates the issuance of the check, will examine and review the process to assure the monies were appropriately assigned to the respondent. This is an additional step to the current procedure and will require the examiner's initials to be placed beside the issuer's initials.

The Sheriff's county annual report shall be examined by the Sheriff, or designee, prior to submission to the County Auditor.

Anticipated Completion Date: **This Corrective Action Plan will begin by March 1, 2022.**

1201 O'Donnell Road • Mt. Vernon, IN 47620

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/>.