

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAWRENCE COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
03/23/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Jody Edwards Jessica Staggs	01-01-20 to 12-31-20 01-01-21 to 12-31-22
County Treasurer	Paula R. Stewart Jody Edwards	01-01-20 to 12-31-20 01-01-21 to 12-31-22
Clerk of the Circuit Court	Billie Tumey	01-01-20 to 12-31-22
County Sheriff	Michael Branham	01-01-20 to 12-31-22
County Recorder	Myron D. Rainey	01-01-20 to 12-31-22
President of the Board of County Commissioners	Gene McCracken Rodney Fish	01-01-20 to 12-31-20 01-01-21 to 12-31-22
President of the County Council	David Flinn Scott Smith	01-01-20 to 12-31-20 01-01-21 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF LAWRENCE COUNTY, INDIANA

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

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

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

Beth Kelley, CPA, CFE
Deputy State Examiner

March 15, 2022

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COUNTY AUDITOR
LAWRENCE COUNTY

COUNTY AUDITOR
LAWRENCE COUNTY
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

Condition and Context

Capital Asset figures were uploaded to the Indiana Gateway for Government Units financial reporting system and included as a supplemental schedule in the approved preliminary financial statement. However, the detailed listing of capital assets maintained by the County Auditor did not agree to the schedule; therefore, the Schedule of Capital Assets was not included in the Financial Statement Audit Report.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

ACCOUNTING FOR CORONAVIRUS RELIEF FUNDS

Condition and Context

The County did not properly account for the Coronavirus Relief Fund (CRF) in accordance with State Examiner Directive 2020-3.

The County receipted the Indiana Finance Authority (IFA) reimbursements of \$1,481,642 into the CARES Act Reimbursement fund (CARES fund). Expenditures for non-payroll expenses totaling \$149,734 were then inappropriately claimed to various funds in which the expense originated. The payroll related reimbursement of \$1,331,908 remained in the CARES fund and the County spent out of the fund without appropriation. The expenditures upon which the reimbursement was based should have been recorded in the CARES fund or the reimbursed amount transferred through the claims process to the General fund, which would have allowed the money to be expended for any general unit purpose. Either of these two methods would have allowed for the proper processing and recording of subsequent expenditures.

As of December 31, 2020, the CARES fund had a balance of \$419,411. During 2021, expenditures were made directly out of the CARES fund without appropriation. As of December 31, 2021, the CARES fund had a balance of \$220,916, which should immediately be claimed to the General fund. This would allow for the money to be expended for any general unit purpose with appropriation.

Criteria

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

COUNTY AUDITOR
LAWRENCE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Option One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

Option Two. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020.** (State Examiner Directive 2020-3)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There was a deficiency in the internal control system of the County Auditor related to financial transactions and reporting.

The County Auditor's office had not established an effective system of internal control over preparation of the financial statement and reporting. The County Auditor prepared and submitted the financial information into the Indiana Gateway for Government Units financial reporting system, which was the source of the County's Annual Financial Report and financial statement. There were no documented internal controls to prevent, or detect and correct, errors in financial information prior to submission.

The financial statement presented for audit included the following errors:

1. The beginning cash and investments balance of eight funds were overstated \$15,904.
2. The receipts of eight funds were overstated \$106,622.
3. The disbursements of twenty-six funds were understated by \$189,747.
4. Additionally, there were material classification errors for receipts and disbursements.

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

COUNTY AUDITOR
LAWRENCE COUNTY
AUDIT RESULTS AND COMMENTS
(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. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

COUNTY AUDITOR
LAWRENCE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 15, 2022, with Jessica Staggs, County Auditor; Rodney Fish, President of the Board of County Commissioners; Dustin Gabhart, County Commissioner; Wallace Branham, County Commissioner; Scott Smith, President of the County Council; Michael Wright, County Council member; Rick Butterfield, County Council member; Janie Craig Chenault, County Council member; Jeff Lytton, County Council member; and Jody Edwards, County Treasurer and former County Auditor.

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BOARD OF COUNTY COMMISSIONERS
LAWRENCE COUNTY

BOARD OF COUNTY COMMISSIONERS
LAWRENCE COUNTY
AUDIT RESULT AND COMMENT

CAPITAL ASSET POLICY

Condition and Context

A capital assets policy was not presented for audit.

Criteria

The governing body of a unit must have a written policy concerning capital assets that includes at a minimum, the threshold at which an item is considered a capital asset. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

BOARD OF COUNTY COMMISSIONERS
LAWRENCE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 15, 2022, with Rodney Fish, President of the Board of County Commissioners; Dustin Gabhart, County Commissioner; Wallace Branham, County Commissioner; Scott Smith, President of the County Council; Michael Wright, County Council member; Rick Butterfield, County Council member; Janie Craig Chenault, County Council member; and Jeff Lytton, County Council member.

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CLERK OF THE CIRCUIT COURT
LAWRENCE COUNTY

CLERK OF THE CIRCUIT COURT
LAWRENCE COUNTY
AUDIT RESULT AND COMMENT

MONTHLY AND ANNUAL GATEWAY UPLOADS

Condition and Context

As of March 7, 2022, the Clerk of the Circuit Court had not uploaded any of the files required for the monthly and annual engagement uploads into the Indiana Gateway for Government Units financial reporting system for calendar years 2020, 2021, or the first two months of 2022.

Criteria

In keeping with State Examiner Directive 2018-1, the following details the monthly and annual uploads required by each department:

Monthly, we will be requiring the following to be uploaded: . . .

County Clerk:

- Monthly Bank Reconciliation (Monthly Report)
- Cash Balance Report . . .

Counties will be required to upload their January 2019 files in March 2019. The due date for these files will be March 15th, 2019. Each official will have the responsibility of uploading their own monthly required documents in gateway. . . .

Annually, we will be requiring the following to be uploaded: . . .

County Clerk:

- Year End Bank Statement

(The County Bulletin and Uniform Compliance Guidelines, December 2018)

This amended directive is effective starting with December 2020 monthly files. The upload of December 2020 monthly files will be due February 15, 2021, and by the 15th of each month thereafter unless the State Board of Accounts (SBOA) establishes a different date. This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar year end units. . . . Thereafter, annual files must be uploaded no later than March 1st . . . for the prior year unless the SBOA establishes a different date. . . .

CLERK OF THE CIRCUIT COURT
LAWRENCE COUNTY
AUDIT RESULT AND COMMENT
(Continued)

The following files and governmental unit information are required to be uploaded monthly by all units except as noted:

- Bank Reconcilements, Bank Statements, and Outstanding Check Lists
- Approved Board Minutes, please see the user guide for more information and examples
- Funds Ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund . . .

For County Clerks, Recorders, and Sheriffs:

- Cash Balance Reports,
- Bank Reconcilements, Bank Statements, and Outstanding Check Lists

The following files and governmental unit information are required to be uploaded annually (for Counties, these apply to County Auditors unless otherwise noted): . . .

- Additionally, for County Clerk and Cities/Towns with courts: Court Trust Fund Subsidiary Detail as of December 31
- Optional: Excel Data Capture/Data Dump (in lieu of Detail of Receipts and Disbursements)

(Amended State Examiner Directive 2018-1)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 1)

CLERK OF THE CIRCUIT COURT
LAWRENCE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 15, 2022, with Billie Tumey, Clerk of the Circuit Court; Rodney Fish, President of the Board of County Commissioners; Dustin Gabhart, County Commissioner; Wallace Branham, County Commissioner; Scott Smith, President of the County Council; Michael Wright, County Council member; Rick Butterfield, County Council member; Janie Craig Chenault, County Council member; and Jeff Lytton, County Council member.

COUNTY SHERIFF
LAWRENCE COUNTY

COUNTY SHERIFF
LAWRENCE COUNTY
AUDIT RESULT AND COMMENT

MONTHLY AND ANNUAL GATEWAY UPLOADS

Condition and Context

As of March 7, 2022, the County Sheriff had not uploaded any of the files required for the monthly and annual engagement uploads into the Indiana Gateway for Government Units financial reporting system for calendar years 2020, 2021, or the first two months of 2022.

Criteria

In keeping with State Examiner Directive 2018-1, the following details the monthly and annual uploads required by each department:

Monthly, we will be requiring the following to be uploaded: . . .

County Sheriff:

- Monthly Bank Reconciliation
- Cash Balance Report . . .

Counties will be required to upload their January 2019 files in March 2019. The due date for these files will be March 15th, 2019. Each official will have the responsibility of uploading their own monthly required documents in gateway. . . .

Annually, we will be requiring the following to be uploaded: . . .

County Sheriff:

- Year End Bank Statement

(The County Bulletin and Uniform Compliance Guidelines, December 2018)

COUNTY SHERIFF
LAWRENCE COUNTY
AUDIT RESULT AND COMMENT
(Continued)

This amended directive is effective starting with December 2020 monthly files. The upload of December 2020 monthly files will be due February 15, 2021, and by the 15th of each month thereafter unless the State Board of Accounts (SBOA) establishes a different date. This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar year end units. . . .

The following files and governmental unit information are required to be uploaded monthly by all units except as noted:

- Bank Reconcilements, Bank Statements, and Outstanding Check Lists
- Approved Board Minutes, please see the user guide for more information and examples
- Funds Ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund . . .

For County Clerks, Recordors, and Sheriffs:

- Cash Balance Reports,
- Bank Reconcilements, Bank Statements, and Outstanding Check Lists

The following files and governmental unit information are required to be uploaded annually (for Counties, these apply to County Auditors unless otherwise noted): . . .

- Additionally, for County Sheriff only: Inmate Trust Fund Subsidiary Detail as of December 31
- Optional: Excel Data Capture/Data Dump (in lieu of Detail of Receipts and Disbursements)

(Amended State Examiner Directive 2018-1)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF
LAWRENCE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 15, 2022, with Michael Branham, County Sheriff; Rodney Fish, President of the Board of County Commissioners; Dustin Gabhart, County Commissioner; Wallace Branham, County Commissioner; Scott Smith, President of the County Council; Michael Wright, County Council member; Rick Butterfield, County Council member; Janie Craig Chenault, County Council member; and Jeff Lytton, County Council member.