

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

FEDERAL COMPLIANCE AUDIT 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 Tumeay | 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 |



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 LAWRENCE 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 Lawrence 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 March 15, 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 and 2020-002, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001 and 2020-002.

Lawrence 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

March 15, 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 LAWRENCE COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited Lawrence 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)

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 March 15, 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

March 15, 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.

LAWRENCE 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 CFDA14.228 CVI-CVI-110 | Indiana 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 Justice</u> | | | | | |
| Crime Victim Assistance Victim Assistance | Indiana Criminal Justice Institute | 16.575 | VOCA-2020-00070 | - | 40,054 |
| Violence Against Women Formula Grants Domestic Violence Domestic Violence | Indiana Criminal Justice Institute | 16.588 | 2018-WF-AX-0046 2019-WF-AX-0005 | - - | 6,333 31,983 |
| Total - Violence Against Women Formula Grants | | | | - | 38,316 |
| Edward Byrne Memorial Justice Assistance Grant Program Edward Byrne Memorial Justice Assistance Grant Program | Indiana Criminal Justice Institute | 16.738 | 2018-DJ-BX-0665 | - | 61,260 |
| Total - Department of Justice | | | | - | 139,630 |
| <u>Department of Transportation</u> | | | | | |
| Highway Planning and Construction Cluster Highway Planning and Construction | Indiana Department of Transportation | 20.205 | | | |
| Countywide Bridge Inspection Bridge 150 District 1 Sign Replacement District 2 Sign Replacement | | | 1592992 1600889 1800977 1802904 | - - - - | 68,127 20,260 23,738 61,068 |
| Total - Highway Planning and Construction | | | | - | 173,193 |
| Total - Highway Planning and Construction Cluster | | | | - | 173,193 |
| Highway Safety Cluster State and Community Highway Safety State and Community Highway Safety | Indiana Criminal Justice Institute | 20.600 | 69A37519300004020IN0 | - | 11,565 |
| National Priority Safety Programs C.H.I.R.P. | Indiana Criminal Justice Institute | 20.616 | 69A3751830000405FIN0 | - | 1,982 |
| Total - Highway Safety Cluster | | | | - | 13,547 |
| Airport Improvement Program Taxiway Design Taxiway Grading and Drainage | Direct Grant | 20.106 | 3-18-0005-17-2018 3-18-0005-19-2020 | - - | 26,353 66,303 |
| Total - Airport Improvement Program | | | | - | 92,656 |

LAWRENCE 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 |
|--|--------------------------------------|----------------------------------|--|--------------------------------------|---|
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated DUI | Indiana Criminal Justice Institute | 20.608 | 69A37518300001640INA | - | 6,563 |
| Total - Department of Transportation | | | | - | 285,959 |
| <u>Department of the Treasury</u> | | | | | |
| COVID-19 - Coronavirus Relief Fund Cares Act Reimb. | Indiana Finance Authority | 21.019 | FY 2020 | 17,277 | 1,481,896 |
| COVID-19 - Coronavirus Relief Fund Tourism | Indiana Arts Commission | 21.019 | 705ACDMO2020000 | - | 26,034 |
| Total - COVID-19 - Coronavirus Relief Fund | | | | 17,277 | 1,507,930 |
| Total - Department of the Treasury | | | | 17,277 | 1,507,930 |
| <u>Election Assistance Commission</u> | | | | | |
| COVID-19 - 2020 HAVA CARES Act Grant Election Security Improvement | Secretary of State | 90.404 | 040_INCOVID2020 | - | 57,955 |
| Total - Election Assistance Commission | | | | - | 57,955 |
| <u>Department of Health and Human Services</u> | | | | | |
| Public Health Emergency Preparedness Public Health Preparedness 2 Public Health Preparedness 21 | Indiana State Department of Health | 93.069 | 40093069PHEPA20 40093069PHEPA21 | - - | 18,800 9,946 |
| Total - Public Health Emergency Preparedness | | | | - | 28,746 |
| Immunization Cooperative Agreements Immunization and Vaccines PNFLU | Indiana State Department of Health | 93.268 | 40093539PPHF020 | - | 52,912 |
| Child Support Enforcement IV-D Prosecutor Incentive IV-D Clerk Incentive IV-D Incentive Co. Gen Clerk IV-D Expenditures Co. Gen Prosecutor Expenditures Circuit Court Clerk Expenditures Clerk's Records Perpetuation Co. Gen Indirect Costs | Indiana Department of Child Services | 93.563 | FY2020 FY2020 FY2020 FY2020 FY2020 FY2020 FY2020 FY2020 | - - - - - - - - | 44,618 12,584 5,500 26,608 210,573 25,409 1,003 50,800 |
| Total - Child Support Enforcement | | | | - | 377,096 |
| Opioid STR Justice Partners Addictions Rehabilitation | Indiana Supreme Court | 93.788 | 21-5JC89-C47-001 | - | 3,263 |
| Total - Department of Health and Human Services | | | | - | 462,017 |
| Total federal awards expended | | | | <u>\$ 17,277</u> | <u>\$ 2,703,491</u> |

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

LAWRENCE 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.

LAWRENCE 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: Internal Controls over Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

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 to the Indiana Gateway for Government Units financial reporting system, which was the source of the County's Annual Financial Report (AFR) and financial statement. There were no documented internal controls to prevent, or detect and correct, errors in financial information prior to submission.

LAWRENCE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The financial statement presented for audit included the following errors:

1. The beginning cash and investments balance of eight funds were overstated by \$15,904.
2. The receipts of eight funds were overstated by \$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.

Criteria

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

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

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

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

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

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

Cause

Management had not established a system of internal control that would have ensured proper reporting of transactions and the financial statement.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements, or irregularities of the AFR and financial statement, remained undetected. The financial statement included the errors identified in the *Condition and Context*.

LAWRENCE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

FINDING 2020-002

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2019-001.

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:

1. The Crime Victim Assistance grant expenditures were understated by \$14,034.
2. The Violence Against Women Formula Grants was omitted, which understated expenditures by \$38,316.
3. The Edward Byrne Memorial Justice Assistance Grant Program expenditures were understated by \$50,360.
4. One project within the Highway Planning and Construction Cluster (Cluster) was omitted, which understated expenditures by \$23,738. Additionally, one project in the Cluster was understated by \$19,464, and one project in the Cluster was overstated by \$6,085, which resulted in a net understatement of \$37,117.
5. The State and Community Highway Safety grant expenditures were understated by \$9,626.
6. The National Priority Safety Programs grant expenditures were overstated by \$17,554. Additionally, the Assistance Listings Number was incorrect.
7. The Airport Improvement Program grant expenditures were overstated by \$20,928.
8. The Minimum Penalties for Repeat Offenders for Driving While Intoxicated grant expenditures were overstated by \$12,973.
9. The COVID-19 - Coronavirus Relief Fund grant expenditures were understated by \$26,034. In addition, the amount passed through to subrecipients was omitted, which understated expenditures by \$17,277.
10. The COVID-19 - 2020 HAVA CARES Act Grant was omitted, which understated expenditures by \$57,955.

LAWRENCE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

11. The Public Health Emergency Preparedness grant expenditures were understated by \$1,370.
12. The Immunization Cooperative Agreements grant expenditures were understated by \$14,015.
13. The Child Support Enforcement grant expenditures were overstated by \$22,445.
14. The Opioid STR grant was reported as a reimbursement grant instead of an advanced grant, which understated expenditures by \$3,263.
15. Three grants were reported in error, which overstated expenditures by \$62,856.
16. 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. . . .

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 . . ."

LAWRENCE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 (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.

LAWRENCE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

AUDITEE-PREPARED DOCUMENTS

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



LIMESTONE CAPITAL OF THE WORLD

OFFICE OF
AUDITOR OF LAWRENCE COUNTY
JESSICA STAGGS
916 15TH STREET, SUITE 28
BEDFORD, INDIANA 47421

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-001

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding: The Audit findings were fully corrected in 2020 for 2019 Gateway Submission. The current staff will be instrumental in helping with more efficient reporting for the 2021 Gateway Submission.

Jessica Staggs

Lawrence County Auditor
February 9, 2022



LIMESTONE CAPITAL OF THE WORLD

OFFICE OF
AUDITOR OF LAWRENCE COUNTY
JESSICA STAGGS
916 15TH STREET, SUITE 28
BEDFORD, INDIANA 47421

CORRECTIVE ACTION PLAN

March 8, 2021

FINDING 2020-001

Contact Person Responsible for Corrective Action: Jessica Staggs, Auditor
Contact Phone Number: 812-275-3111

Views of Responsible Official: I concur with the finding

The Auditor is responsible for accurate and timely reporting of the Annual Financial Report (AFR). As a newly elected Auditor in 2021, the report was very challenging as I was in the early phase of the job and learning, all while trying to complete the report for the prior year's work.

Description of Corrective Action Plan: We made recommended corrections per State Board of Accounts to the 2020 AFR. I have since completed the AFR for 2021 both timely and accurately. Once all the data was uploaded and completed in Gateway, myself and my 1st Deputy reviewed the information entered for any errors and then initialed the documents to show that the information was verified for accuracy.

Anticipated Completion Date: I believe the errors were corrected when working on the 2021 AFR that was submitted on March 1, 2022.

FINDING 2020-002

Contact Person Responsible for Corrective Action: Jessica Staggs, Auditor
Contact Phone Number: 812-275-3111

Views of Responsible Official: I concur with the finding

The Auditor is responsible for accurate and timely reporting of the Schedule of Expenditures of Federal Awards (SEFA). Again, as a newly elected Auditor in 2021, the SEFA was an unfamiliar report and learning curve.

Description of Corrective Action Plan: We made recommended corrections per State Board of Accounts to the 2020 SEFA. Moving forward, all department heads that are involved in the grants and possess the proper knowledge of said grants will be required to review the SEFA for accuracy and sign off on the grant schedule that is completed by the bookkeeper and myself for the Annual Report. In addition, my office is working on creating a spreadsheet for each department to complete, which can then be reviewed by myself and the bookkeeper. The sam.gov website will further be utilized to help verify information such as agency titles, CFDA numbers and grant amounts.

Anticipated Completion Date: April 1, 2022

Sincerely,

Jessica Staggs
Lawrence County Auditor

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/>.