

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

JEFFERSON COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
03/29/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Sherry Eblen Heather Huff	01-01-20 to 05-27-21 05-28-21 to 12-31-22
County Treasurer	Melinda L. Klopp	01-01-20 to 12-31-22
Clerk of the Circuit Court	Tabatha Eblen	01-01-20 to 12-31-22
County Sheriff	David W. Thomas	01-01-20 to 12-31-22
County Recorder	Molly O'Conner	01-01-20 to 12-31-22
President of the Board of County Commissioners	David Bramer Ron Lee	01-01-20 to 12-31-21 01-01-22 to 12-31-22
President of the County Council	Pam Crozier Ray Denning	01-01-20 to 12-31-21 01-01-22 to 12-31-22



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

TO: THE OFFICIALS OF JEFFERSON 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 Jefferson 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 18, 2022, wherein we noted the County followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001, 2020-002, and 2020-003, that we consider to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001, 2020-002, and 2020-003.

Jefferson 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 18, 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 JEFFERSON COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited Jefferson 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 March 18, 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 18, 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.

JEFFERSON 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 Justice</u>					
COVID-19 - Coronavirus Emergency Supplemental Funding Program Coronavirus Emergency Supplement Funding Program	Indiana Criminal Justice Institute	16.034	2020-VD-BX-0244	\$ -	\$ 594
Crime Victim Assistance 2017 VOCA	Indiana Criminal Justice Institute	16.575	VOCA-2018-00139	-	33,944
Total - Department of Justice				-	34,538
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction Bridge Inspection	Indiana Department of Transportation	20.205	DES# 1500208	-	9,922
Total - Highway Planning and Construction Cluster				-	9,922
Highway Safety Cluster State and Community Highway Safety Criminal Justice Institute	Indiana Criminal Justice Institute	20.600	CHIRP-2020-00096	-	3,002
Total - Highway Safety Cluster				-	3,002
Total - Department of Transportation				-	12,924
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus Relief Fund Coronavirus Testing Site	Indiana State Department of Health	21.019	2020	100,000	100,000
COVID-19 - Coronavirus Relief Fund Coronavirus Relief Fund	Indiana Finance Authority	21.019	2020	-	1,044,949
Total - COVID-19 - Coronavirus Relief Fund				100,000	1,144,949
Total - Department of the Treasury				100,000	1,144,949

JEFFERSON 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>Election Assistance Commission</u>					
COVID-19 - 2020 HAVA Election Security Grants	Indiana Secretary of State	90.404	2020	-	1,408
Total - Election Assistance Commission				-	1,408
<u>Department of Health and Human Services</u>					
Immunization Cooperative Agreements Immunization and Vaccine for Children	Indiana State Department of Health	93.268	NH23IP922631	-	51,264
Public Health Emergency Preparedness Public Health Emergency Preparedness	Indiana State Department of Health	93.069	6NU90TP922052	-	25,245
Child Support Enforcement	Indiana Department of Child Services	93.563			
Prosecutor Incentive			2020	-	27,030
Clerk Incentive			2020	-	673
Child Support Prosecutor			2020	-	102,826
Child Support Clerk			2020	-	33,807
Child Support Indirect Costs			2020	-	48,248
Total - Child Support Enforcement				-	212,584
Opioid STR Opioid Response	Indiana Supreme Court	93.788	21-5JC89-C39-001	-	30,478
Total - Department of Health and Human Services				-	319,571
Total federal awards expended				\$ 100,000	\$ 1,513,390

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

JEFFERSON 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.

JEFFERSON 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 into 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 contained the following errors:

1. The COVID-19 - Coronavirus Relief Fund was omitted, which understated expenditures by \$1,144,949.

JEFFERSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2. A state grant was incorrectly reported, which overstated expenditures by \$432,094.
3. The Child Support Enforcement program expenditures were understated by \$212,584.
4. The COVID-19 - Coronavirus Emergency Supplemental Funding Program expenditures were overstated by \$71,506.
5. Several additional grants had individually immaterial errors, which resulted in a net overstatement of \$67,308.
6. Other errors included incorrect or omitted Assistance Listings Numbers, program names, and 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 . . ."

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 . . ."

JEFFERSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510. . . ."

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.
- (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 § 200.414."

Cause

Management had not established a 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*.

JEFFERSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

FINDING 2020-002

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

Condition and Context

The County Treasurer did not have a proper system of internal control in place over financial transactions and reporting to prevent, detect, and correct errors in cash and investments. The County Treasurer had not established internal controls to ensure monthly bank reconciliations were complete and accurate and to ensure financial activity was accurately recorded in the County Treasurer's Cash Book and reported.

The following deficiencies were identified:

1. Monthly bank reconciliations were not performed for the self-insurance depository account. Bank reconciliations were performed for the other depository accounts; however, the reconciliations contained numerous errors and the wrong balance was used to reconcile. On December 31, 2020, a difference of \$49,474 cash short existed between the depository account balance and the record balance.
2. Several errors were identified with the activity recorded in the County Treasurer's Cash Book. The amount reported for after-settlement collections contained an amount reported as unidentified variance of negative \$8,745. The monies on hand at the various bank depository accounts did not agree with the total monies on hand for after-settlement collections and the funds ledger balance. An entry was included in the bank depository account of negative \$7,600 in order to force the depository account balances totals to agree with the total fund ledger and after settlement collections total.
3. The Fund Ledger Cash and Investment Balance per the County Treasurer's Cash Book (control record) was not in agreement with the County Treasurer's detail fund ledger (subsidiary record). On December 31, 2020, the subsidiary record balance was \$1,431,225 less than the control record balance.
4. The County Treasurer's Cash Book reported \$95,463 Investments in Funds; however, per the County Treasurer, the County did not have any investments and information presented for audit did not identify any investments held by the County.
5. The County Treasurer's Monthly Financial Report (Form 47TR) is to be prepared monthly in quadruplicate with one copy retained by the County Treasurer and three copies filed with the County Auditor for transmission to the Board of Finance, Board of County Commissioners, and Indiana State Board of Accounts. The reported deposits in transit and outstanding warrants and interest reported could not be traced to supporting documentation. The balance of all ledger accounts reported was not in agreement with amounts reported on the County Treasurer's Cash Book.

JEFFERSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

6. The financial data reported by the County Treasurer to the County Auditor on the Supplemental Annual Financial Report (CAR-1 report) was not in agreement with the County Treasurer's Cash Book. The beginning cash and investments balance and disbursements both differed by \$1,052,402, and the receipts and ending cash and investments balance reported both differed by \$934,591.

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 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balances must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

Indiana Code 5-13-5-1(a) states:

"Every public officer who receives or distributes public funds shall:

- (1) keep a cashbook into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cashbook daily to show funds on hand at the close of each day."

The Treasurer's Daily Balance of Cash and Depositories, Form 47, is the record prescribed to enable the treasurer to comply with IC 5-13-5-1. It reflects the daily receipts and disbursements, total amount of cash and investments on hand, and a proof of the financial condition of the office at the close of each day.

JEFFERSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The record is designed to be posted "daily", with a separate page for each day. The left side of the page shows the total amount of money for which the treasurer is accountable (charges) and the right side of the page shows the money on deposit invested or on hand (credits), as proof of the financial condition. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 3)

On or before the 16th day of each month the treasurer shall prepare a report showing the financial condition of the office as of the close of business on the last day of the preceding month.

This report shall show the amounts with which the treasurer is chargeable for the various funds and accounts, the amounts with which the treasurer is credited for money on deposit, invested and cash on hand and any long or short at the close of each month. The report also provides space for reconciliation with depositories.

The report shall be prepared in quadruplicate and each copy shall be verified by certificate of the treasurer. The treasurer shall retain one copy as a public record in the office and three copies shall be filed with the county auditor. The county auditor shall file the original of said reports with the records of the county board of finance, one copy shall be presented to the board of county commissioners at its next regular meeting, and the county auditor shall immediately transmit one copy to the State Board of Accounts.

This report has been prescribed by the state board of accounts and designated as Form 47TR. This form is self-explanatory and all of the information required can be obtained from the daily balance of cash and depositories, except for the bank balances shown on the bank statements and the amounts of the outstanding warrants which are obtained from the bank reconcilements.

(Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 3)

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](#)."

The supplemental annual report forms are submitted by other county offices and departments to be used by the county auditor to provide complete financial information for the annual report by reporting financial activity that is maintained outside of the county auditor's system. The supplemental annual reports are only to be submitted with financial activity that is not eventually accounted for in the county's general ledger system. (The County Bulletin and Uniform Compliance Guidelines, January 2014)

Cause

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

Effect

Without a proper system of internal control in place misstatements or irregularities remained undetected.

JEFFERSON 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 2020-003

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

Condition and Context

There were deficiencies in the internal control system of the County Auditor related to financial close and reporting, and disbursements.

The following errors were noted:

Financial Close and Reporting

The County had not established a system of internal control over the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the County's Annual Financial Report (AFR) and financial statement. Due to the lack of internal controls material errors remained undetected in the AFR and financial statement.

1. Several County funds were omitted from the AFR. Most of the funds omitted were funds of the various County offices that are required to be reported to the County Auditor as part of the Supplemental Annual Report (CAR-1).
2. The amount reported for receipt and disbursement of some funds were incorrect and did not agree to the ledger.

As a result of the errors noted above, the beginning cash and investments balance was understated by \$2,477,484, receipts were understated by \$3,715,665, disbursements were understated by \$4,300,461, and the ending cash and investments balance was understated by \$1,892,688.

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

Disbursements

The County did not have a proper system of internal control over disbursements related to its Self-Insurance Fund. Payments made to the County's third-party administrator for the processing of health insurance claims and payment of related administrative fees did not have a documented review and approval process to ensure the health insurance claims processed were for actual employees of the County.

JEFFERSON 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. . . ."

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

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

Cause

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

Effect

Without a proper system of internal control in place, material misstatements or irregularities remained undetected. The financial statement 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 DOCUMENT

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



The Office of:
HEATHER HUFF
COUNTY AUDITOR

CORRECTIVE ACTION PLAN

FINDING 2020-001

Contact Person Responsible for Corrective Action: Heather Huff, Jefferson County Auditor:
Contact Phone Number: 812-274-3874

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: As a newly appointed Auditor in 2021, I was unaware of the problems with our SEFA. I am in the process of developing a new process to improve tracking of all grant information. The County will now implement our standard internal control policies to grant reporting as well.

Anticipated Completion Date: December 2022

JEFFERSON COUNTY TREASURER

CORRECTIVE ACTION PLAN

FINDING 2022-002

Contact Person Responsible for Corrective Action: Melinda Klopp, Meghan Hoskins
Contact Phone Number: 812-265-8910

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

1. Self-insurance bank account will be reconciled monthly
2. Unidentified variance in cash book will be researched
3. Will research why the Fund Ledger Cash and Investment balance per the Cash book isn't in agreement with the Treasurer's detail fund ledger.
4. Research why the Cashbook is reporting Investments when the County does not have any.
5. Will ensure the Monthly Financial Report (Form 47TR) has supporting documentation and that the balance of all ledger accounts are in agreement to with the amounts reported in the Cash book
6. Will ensure the CAR-1 is in agreement with the cash Book going forward.

Anticipated Completion Date:12/31/2022



The Office of:
HEATHER HUFF
COUNTY AUDITOR

CORRECTIVE ACTION PLAN

FINDING 2020-003

Contact Person Responsible for Corrective Action: Heather Huff, Jefferson County Auditor
Contact Phone Number: 812-274-3866

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: As a newly appointed Auditor in 2021, I was unaware of the deficiencies with our Internal Control Process. Moving forward all Gateway uploads including our AFR will be reviewed by someone other than the submitting official. To also strengthen our internal controls with Self Funded Insurance our HR Department will review all claims to be paid by Jefferson County, after the claim receives HR approval the Auditor's office will be notified. Logs with dual signatures will be kept to ensure internal controls are followed for the future.

Anticipated Completion Date: 3-17-2022

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/>.