

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

MORGAN COUNTY, INDIANA

January 1, 2021 to December 31, 2021



**FILED**

08/10/2022



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Dan Bastin	01-01-21 to 12-31-22
County Treasurer	Terry Clelland	01-01-21 to 12-31-22
Clerk of the Circuit Court	Stephanie Elliott (deceased) (Vacant)	01-01-21 to 07-02-22 07-03-22 to 12-31-22
County Sheriff	Richard W. Myers	01-01-21 to 12-31-22
County Recorder	Jana K. Gray	01-01-21 to 12-31-22
President of the Board of County Commissioners	Donald Adams Kenny Hale	01-01-21 to 12-31-21 01-01-22 to 12-31-22
President of the County Council	Kim S. Merideth	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 MORGAN 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 Morgan County (County), for the year ended December 31, 2021, and the related notes to the financial statement, which collectively comprise the County's financial statement and have issued our report thereon dated July 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.

***Report On 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) as a basis for designing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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)

***Report On 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***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

July 18, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH 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 MORGAN COUNTY, INDIANA

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

***Qualified and Unmodified Opinions***

We have audited Morgan 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 each of its major federal programs for the year ended December 31, 2021. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Qualified Opinion on Highway Planning and Construction Cluster***

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified and Unmodified Opinions* section of our report, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Highway Planning and Construction Cluster for the year ended December 31, 2021.

***Unmodified Opinion on Each of the Other Major Federal Programs***

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 each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2021.

**Basis for Qualified and Unmodified Opinions**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

***Matter Giving Rise to Qualified Opinion on Highway Planning and Construction Cluster***

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the County with the Highway Planning and Construction Cluster, as described in finding number 2021-001, for Procurement and Suspension and Debarment, consequently we were unable to determine whether the County complied with those requirements applicable to that program.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2021-002. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the County's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The County's response to the noncompliance 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 compliance, and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002, to be material weaknesses.

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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* require the auditor to perform limited procedures on the County's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

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 EACH 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, 2021, and the related notes to the financial statement. We issued our report thereon dated July 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 performed 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

July 18, 2022

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.

MORGAN COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2021

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
<b>Department of Justice</b>					
COVID-19 - Coronavirus Emergency Supplemental Funding Program Courts COVID-19	Indiana Criminal Justice Institute	16.034	2020-VD-BX-0244	\$ -	\$ 117,864
Crime Victim Assistance VOCA 20-22	Indiana Criminal Justice Institute	16.575	VOCA-2020-00251	-	28,145
Violence Against Women Formula Grants STOP Viol Ag Wo 20-21	Indiana Criminal Justice Institute	16.588	2020-WF-AX-0031	-	16,281
Bulletproof Vest Partnership Program Bullet Proof Vest FY2019	Direct Grant	16.607	FY 2019	-	4,920
Total - Department of Justice				-	167,210
<b>Department of Transportation</b>					
Highway Planning and Construction Cluster Highway Planning and Construction Bridge Inspection and Inventory 2018-2021 Bridge #52 Egbert Rd Bridge # 60 Robb Hill Rd Bridge #75 Bowman	Indiana Department of Transportation	20.205	A249-18-L180081 A249-19-L190034 A249-20-L200021 A249-20-L200095	- - - -	58,635 64,532 67,877 94,009
Total - Highway Planning and Construction Cluster				-	285,053
Highway Safety Cluster State and Community Highway Safety CHIRP-Click	Indiana Criminal Justice Institute	20.600	69A37520300001640INA	13,695	30,439
Total - Highway Safety Cluster				13,695	30,439
Minimum Penalties for Repeat Offenders for Driving While Intoxicated DUI Task Force	Indiana Criminal Justice Institute	20.608	69A3752030000405DINL	4,837	13,964
Total - Department of Transportation				18,533	329,456
<b>Department of Health and Human Services</b>					
Public Health Emergency Preparedness PHEP Base 20-21 PHEP CRI 20-21 PHP CRI PHP Base	Indiana State Department of Health	93.069	Contract #43946 Contract #43946 Contract #55661 Contract #55661	- - - -	31,895 19,334 225 9,317
Total - Public Health Emergency Preparedness				-	60,771

MORGAN COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2021

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
Immunization Cooperative Agreements Vax for Children	Indiana State Department of Health	93.268	Contract #53418	-	25,500
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) COVID-19 - Vaccine Immunization	Indiana State Department of Health	93.323	Contract #49854	-	80,640
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution Cares Provider Relief Fund	Direct Grant	93.498	CY-2020	-	29,672
Child Support Enforcement	Indiana Department of Child Services	93.563			
Title IV-D Reimb Clerk Expenditures			CY-2021	-	32,405
Title IV-D County Incentive			CY-2021	-	54,344
Title IV-D Reimb Prosecutor Expenditures			CY-2021	-	295,318
Title IV-D Reimb Courts Expenditures			CY-2021	-	22,981
Indirect Cost			CY-2021	-	200,165
Title IV-D Clerk Incentive			CY-2021	-	14,325
Title IV-D Prosecutor Incentive			CY-2021	-	11,138
Total - Child Support Enforcement				-	630,676
Opioid STR	Indiana Supreme Court	93.788			
J P Addictions Response			20-5JC89-C55-033	-	25,613
SIM JP Addict Response Advance			21-5JC89-C55-001	-	51,931
Total - OPIOID STR				-	77,544
Total - Department of Health and Human Services				-	904,803
<u>Department of Homeland Security</u>					
Emergency Management Performance Grants	Indiana Department of Homeland Security	97.042			
EMP Competitive			EMC-2019-EP-00003	-	3,144
EMPG Salaries 2019			EMC-2019-EP-00003	-	54,071
EMPG Salaries 2020			EMC-2020-EP-00001	-	30,000
Total - Emergency Management Performance Grants				-	87,215
BRIC: Building Resilient Infrastructure and Communities PDM 2018 Morgan County	Indiana Department of Homeland Security	97.047	DHS-18MT-047-000-99	-	967,011
Total - Department of Homeland Security				-	1,054,226
Total federal awards expended				<u>\$ 18,533</u>	<u>\$ 2,455,695</u>

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

MORGAN COUNTY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Summary of Significant Accounting**

*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, 2021. 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.

MORGAN 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?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
97.047	Highway Planning and Construction Cluster BRIC: Building Resilient Infrastructure and Communities	Qualified  Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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**Section II - Financial Statement Findings**

No matters are reportable.

MORGAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2021-001**

Subject: Highway Planning and Construction Cluster - Procurement

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

Assistance Listings Number: 20.205

Federal Award Numbers and Years (or Other Identifying Numbers): A249-18-L180081,  
A249-19-L190034,  
A249-20-L200021,  
A249-20-L200095

Pass-Through Entity: Indiana Department of Transportation

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

*Condition and Context*

An effective internal control system was not in place at the County to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The County did not retain all documentation provided to the Indiana Department of Transportation (INDOT) for the procurement of projects. Therefore, we were unable to determine that the procurement documentation provided to INDOT was complete and accurate.

The County was reimbursed for four projects during the audit period. Two projects were initially selected for testing. The County was unable to provide the bid packets for one of these two projects. Further inquiry for procurement records with respect to the two remaining projects reimbursed, revealed that the County could not produce any records for one project and only partial records for the other project.

The lack of effective internal controls and noncompliance were systemic issues throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

MORGAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.318 state in part:

"(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price."

*Cause*

Management had not established a system of internal control that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Effect*

Without a system of internal control in place that operated effectively, and retain appropriate supporting documentation prevented the determination of the County's compliance with the Procurement and Suspension and Debarment compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the County's management establish an effective system of internal control to ensure that documentation will be maintained and made available for audit and comply with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2021-002**

Subject: BRIC: Building Resilient Infrastructure and Communities - Reporting  
Federal Agency: Department of Homeland Security  
Federal Program: BRIC: Building Resilient Infrastructure and Communities  
Assistance Listings Number: 97.047  
Federal Award Number and Year (or Other Identifying Numbers): DHS-18MT-047-000-99  
Pass-Through Entity: Indiana Department of Homeland Security  
Compliance Requirement: Reporting  
Audit Findings: Material Weakness, Other Matters

*Condition and Context*

An effective internal control system was not in place at the County to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

MORGAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The County had not established internal controls, which would include segregation of duties, related to the preparation and submission of the Quarterly Performance Report (Report). The Grant Administrator prepared and submitted the Report without any oversight or review process in place to prevent, or detect and correct, errors on the Report.

Due to the lack of internal control, the "Status of Report" section of the Report was not completed for any of the reports submitted.

The lack of internal of controls and noncompliance were systemic issues throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.328 states:

"Unless otherwise approved by OMB, the Federal awarding agency must solicit only the OMB-approved governmentwide data elements for collection of financial information (at time of publication the Federal Financial Report or such future, OMB-approved, governmentwide data elements available from the OMB-designated standards lead. This information must be collected with the frequency required by the terms and conditions of the Federal award, but no less frequently than annually nor more frequently than quarterly except in unusual circumstances, for example where more frequent reporting is necessary for the effective monitoring of the Federal award or could significantly affect program outcomes, and preferably in coordination with performance reporting. The Federal awarding agency must use OMB-approved common information collections, as applicable, when providing financial and performance reporting information."

*Cause*

Management had not developed a system of internal control that would have ensured compliance with the grant agreement and the Reporting compliance requirement.

*Effect*

The failure to establish an effective system of internal control enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the County.

MORGAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the County's management establish an effective system of internal control to ensure compliance and comply with the grant agreement and the Reporting compliance requirement.

*Views of Responsible Officials*

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

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#### AUDITEE-PREPARED DOCUMENTS

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



*Dan Bastin*  
*Morgan County Auditor*  
*180 S Main St, Suite 104*  
*Martinsville, IN 46151*  
*dbastin@morgancounty.in.gov*

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2020-001***

Fiscal year in which the finding initially occurred: 2020

Status of Audit Finding: Corrective Action Plan described in the 2020 Federal Compliance Report was implemented as Described.



*Dan Bastin*  
*Morgan County Auditor*  
*180 S Main St, Suite 104*  
*Martinsville, IN 46151*  
*dbastin@morgancounty.in.gov*

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CORRECTIVE ACTION PLAN

**FINDING 2021-001**

Contact Person Responsible for Corrective Action: Dan Bastin  
Contact Phone Number: 765-342-1001

Views of Responsible Official:

Concur with finding

Description of Corrective Action Plan

County's Management has been aware of the issues that stem from the previous Highway Department Supervisor's over the past two decades. In the last two years, new Department Directors have been hired to replace the outgoing supervisors. The new County Engineer and County Superintendent have implemented numerous changes throughout the Highway Department to better maintain, track, and manage all information that affects the department.

The LPA projects referenced above are legacy projects started under the prior County Engineer. Since the previous Engineer left and was replaced, the County has been awarded 11 additional LPA, Federally Funded awards. This includes 8 local bridges and 3 CCMG awards. Several of the deficiencies noted in the audit were identified with the new department heads. No transition or continuity plan had previously been developed to impart knowledge and familiarization of current projects or how information was stored.

Several steps have been implemented since the referenced 4 projects have been awarded and reimbursed. One step of the newly implemented system that directly affects LPAs are how the RFPs are responded to. All submittals are required to be submitted electronically for ease of storage. Once all submittals are received, they are filed and stored on Cloud storage servers and backed up on County maintained servers. This redundancy will prevent all loss of critical backup information to validate all future compliance with the grant agreement requirements.

Anticipated Completion Date:

Immediate

**FINDING 2021-002**

Contact Person Responsible for Corrective Action: Dan Bastin  
Contact Phone Number: 765-342-1001

Views of Responsible Official:

Concur with finding

Description of Corrective Action Plan:

An internal control procedure will be put in place that includes review of reports by Grant Administrator, Kenny Hale; Morgan County Administrator, Josh Messmer; and proofreading and second review by Commissioners' Executive Assistant, Deb Verley.

The Grant Administrator will correct any mistakes before submittal of quarterly reports and will insure compliance with the grant agreement as well as compliance with internal control procedures.

Anticipated Completion Date:

Immediate

## 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/>.