

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

HARRISON COUNTY, INDIANA

January 1, 2021 to December 31, 2021



FILED
08/26/2022

*Reissued on September 20, 2022,
to correct the Schedule of Findings
and Questioned Costs, Federal
Findings, and related reports.*

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Chad Shireman	01-01-21 to 12-31-22
County Treasurer	Debbie Dones	01-01-21 to 12-31-22
Clerk of the Circuit Court	Sherry Brown	01-01-21 to 12-31-22
County Sheriff	Nicholas Smith	01-01-21 to 12-31-22
County Recorder	Debbie Dennison	01-01-21 to 12-31-22
President of the Board of County Commissioners	Charlie Crawford	01-01-21 to 12-31-22
President of the County Council	Donald Hussung	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 HARRISON 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 Harrison 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 28, 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, 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 2021-001 and 2021-002, 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)

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 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 item 2021-001.

Harrison County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. 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

July 28, 2022, except for the Schedule of Expenditures of
Federal Awards, for which the date is September 13, 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 HARRISON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Harrison 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.

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 major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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.

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.

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)

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. Noncompliance 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.

Other Matters

This report is replacing a previously issued report dated August 26, 2022, due to a change in federal guidance for the COVID-19 - Coronavirus State and Local Fiscal Recovery Funds major program. Our opinion is not modified with respect to that matter.

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 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 2021-003 and 2021-004, 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 28, 2022, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, 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

September 13, 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.

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HARRISON 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
<u>Department of Housing and Urban Development</u>					
COVID-19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii OCRA Grant	Office of Community and Rural Affairs	14.228	B-CV2-CV-18-0001	\$ -	\$ 250,000
Total - Department of Housing and Urban Development				-	250,000
<u>Department of Justice</u>					
Equitable Sharing Program Sheriff Asset Forfeiture	Direct Grant	16.922	2021	-	76,716
Total - Department of Justice				-	76,716
<u>Department of Transportation</u>					
Federal Transit Cluster					
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs 5339-Trans. Two mini vans	Indiana Department of Transportation	20.526	EDS# A249-21-G200161	70,618	70,618
Total - Federal Transit Cluster				70,618	70,618
Highway Planning and Construction Cluster					
Highway Planning and Construction Cum. Bridge Riverboat	Indiana Department of Transportation	20.205	DES 1500206 DES 1702960	- -	30,773 93,509
Total - Highway Planning and Construction				-	124,282
Total - Highway Planning and Construction Cluster				-	124,282
COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program 2021 5311 Transpotation Grant	Indiana Department of Transportation	20.509	EDS# A249-20-G200032	402,241	402,241
Total - Department of Transportation				472,859	597,141

HARRISON 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
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus Relief Fund Coronavirus Relief fund	Indiana Finance Authority	21.019	2021	-	69,000
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds American Rescue Plan Act	Direct Grant	21.027	Harrison County Ordinance#2021	-	775,619
Total - Department of the Treasury				-	844,619
<u>Election Assistance Commission</u>					
COVID-19 - 2020 HAVA Election Security Grants General Election	Indiana Secretary of State	90.404	2020 CARES	-	9,995
Total - Election Assistance Commission				-	9,995
<u>Department of Health and Human Services</u>					
Public Health Emergency Preparedness 20/21 PHEP	Indiana State Department of Health	93.069	contract# 43941	-	20,956
COVID-19 - Immunization Cooperative Agreements FY21-Vaccine Clinic FY21-Vaccine Clinic Immunization/Vaccines Grant Immunization/Vacc. 2021-2022	Indiana State Department of Health	93.268	contract# 45611 contract# 52678 contract# 43825 contract# 53341	- - - -	13,512 11,966 34,920 17,932
Total - Immunization Cooperative Agreements				-	78,330
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) Covid Test Site Coronavirus testing site	Indiana State Department of Health	93.323	contract# 56393 contract# 45611	- -	10,700 26,808
Total - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)				-	37,508

HARRISON 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
Child Support Enforcement	Indiana Department of Child Services	93.563			
Prosecutor Incentive			2020	-	31,785
Clerk Incentive			2020	-	326
Child Support - indirect cost			2020	-	35,059
Child Support - IV-D monthly claims			2020	-	32,052
Child Support - IV-D monthly claims			2020	-	146,162
Child Support - IV-D monthly claims			2020	-	7,487
Total - Child Support Enforcement				-	252,871
Opioid STR	Indiana Supreme Court	93.788			
Opioid Response 2021			21-5JC89-C31-001	-	8,998
Opioid Response			20-5JC89-C31-066	-	3,333
Total - Opioid STR				-	12,331
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs Coroner's grant/\$1 000.00	Indiana State Department of Health	93.946		contract# 47199	862
Maternal and Child Health Services Block Grant to the States Title V/SUID/FIMR/Early Start	Indiana State Department of Health	93.994		award# B04MC32539	34,904
Total - Department of Health and Human Services				-	437,762
<u>Department of Homeland Security</u>					
Emergency Management Performance Grants 2020 EMPG - Salary	Indiana Department of Homeland Security	97.042		award# EMC-2020-EP-00001-S01	30,000
Total - Department of Homeland Security				-	30,000
Total federal awards expended				\$ 472,859	\$ 2,246,233

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

HARRISON 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, 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.

HARRISON 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 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
21.027	Highway Planning and Construction Cluster COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Unmodified 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 2021-001

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 2020-001.

Condition and Context

The County had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the County's Schedule of Expenditures of Federal Awards (SEFA).

HARRISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The County did not properly review the federal grant information prepared and submitted in Gateway. Although one employee prepared and entered the federal award information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

Due to the lack of internal controls, the SEFA presented for audit included the following errors:

1. The COVID-19 - Coronavirus State and Local Fiscal Recovery Funds expenditures were overstated by \$3,159,163.
2. The COVID-19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii grant was omitted, which understated expenditures by \$250,000.
3. The COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program, and Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs grants did not report the amount passed through to subrecipients, which totaled \$402,241 and \$70,618, respectively.
4. The COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program expenditures were understated by \$143,035.
5. The Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs expenditures were overstated by \$143,035.
6. The COVID-19 - Coronavirus Relief Fund grant was omitted, which understated expenditures by \$69,000.
7. The COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) expenditures were overstated by \$85,094.
8. Several additional grants had individually immaterial errors that resulted in misstatements of expenditures of \$195,058, in total.
9. 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.

HARRISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control . . ."

2 CFR 200.1 states in part:

". . . *Internal controls* for non-Federal entities means:

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - (i) Effectiveness and efficiency of operations;
 - (ii) Reliability of reporting for internal and external use; . . ."

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 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.

HARRISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414."

Cause

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

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition and Context*.

Views of Responsible Officials

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

FINDING 2021-002

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition and Context

The County had not established a proper system of internal control over the financial close and reporting process.

Financial information was entered into the Indiana Gateway for Government Units financial reporting system, which was the source for the financial statement, by the County Auditor. There was no evidence of an independent review, oversight, or approval process to prevent, or detect and correct, errors on 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:

HARRISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

"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. . . ."

Cause

Management had not established a proper system of internal control over financial close and reporting.

Effect

The failure to establish a system of internal control could have enabled material misstatements or irregularities in the financial statement to occur and remain undetected.

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

FINDING 2021-003

Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Reporting
Federal Agency: Department of the Treasury
Federal Program: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
Assistance Listings Number: 21.027
Federal Award Number and Year (or Other Identifying Number): Harrison County Ordinance#2021
Compliance Requirement: Reporting
Audit Finding: Material Weakness

Condition and Context

The County had not established internal controls over the Interim Report submitted to the Department of the Treasury. The County Auditor completed and submitted the report without a proper system of review or oversight to ensure the accuracy of the report.

The lack of internal controls was isolated to the Interim Report.

HARRISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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). . . ."

Cause

Management had not established a system of internal control that would have ensured compliance with the Reporting compliance requirement.

Effect

The failure to establish an effective system of internal control could have enabled material noncompliance to go undetected.

Questioned Costs

No questioned costs were identified.

Recommendation

We recommended that the County's management establish effective internal controls to ensure compliance 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.

FINDING 2021-004

Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery
Funds - Procurement and Suspension and Debarment

Federal Agency: Department of the Treasury

Federal Program: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

Assistance Listings Number: 21.027

Federal Award Number and Year (or Other Identifying Number): Harrison County Ordinance#2021

Compliance Requirement: Procurement and Suspension and Debarment

Audit Finding: Material Weakness

Condition and Context

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

HARRISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The County verified that vendors with contracts over \$25,000 were not excluded or disqualified from participation in federal award programs; however, there were no internal controls, such as a review or oversight of the verification process.

The lack of internal controls was a systemic issue 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). . . ."

Cause

Management had not designed, nor implemented a system of internal control that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to design or implement an effective internal control system could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement could result in the loss of future federal funding to the County.

Questioned Costs

No questioned costs were identified.

Recommendation

We recommended that the County's management establish a system of internal control to ensure compliance with 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.

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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.

HARRISON COUNTY AUDITOR
245 ATWOOD STREET STE. 211
CORYDON, INDIANA 47112
(812) 738-8241

Summary Schedule of Prior Audit Findings

Finding 2020-001

Fiscal Year in which the finding initially occurred: 2013

Contact Person: Chad Shireman

Contact Phone Number: 812-738-8241

Status of Audit Finding:

The corrections for the prior audit finding are still in progress. The employee that handles grants was able to enter all grant information into the Gateway system directly, which is a change from the county auditor entering the information in prior years. We anticipate that feedback received during the 2021 audit conducted by SBOA in 2022 will provide a better understanding of how the information is to be entered into Gateway and reflected on the SEFA.

Based on this feedback, the county will modify their record-keeping practices for all grants, allow the auditor to enter this data moving forward, and corrective oversight to be provided by the employee in charge of overseeing grants. During the 2022 annual report process to be submitted in 2023, grant information will be entered first, allowing ample time for review, along with a timely submission of the data prior to March 1, 2023.

CHAD SHIREMAN, AUDITOR

HARRISON COUNTY AUDITOR

245 ATWOOD STREET STE. 211
CORYDON, INDIANA 47112
(812) 738-8241

CORRECTIVE ACTION PLAN

FINDING 2021-001

Contact Person Responsible for Corrective Action: Chad Shireman
Contact Phone Number: 812-738-8241

Views of Responsible Official: We concur with the finding. Although one employee entered the SEFA information and the county auditor submitted the data, errors were not corrected prior to submission.

Description of Corrective Action Plan: The county will continue to improve upon their internal controls for the SEFA. The accounts receivable employee will enter all SEFA information at an earlier date, allowing for the data to be subjected to a more thorough review prior to submission.

Anticipated Completion Date: The anticipated completion date for this will be March 1, 2023 to coincide with the 2022 AFR due date. The accounts receivable employee will enter all data by January 31, 2023, allowing for review and corrections to take place during the month of February.

CHAD SHIREMAN, AUDITOR

HARRISON COUNTY AUDITOR

245 ATWOOD STREET STE. 211

CORYDON, INDIANA 47112

(812) 738-8241

CORRECTIVE ACTION PLAN

FINDING 2021-002

Contact Person Responsible for Corrective Action: Chad Shireman

Contact Phone Number: 812-738-8241

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: In the future, the financial transactions and reporting section of the AFR will be subjected to a proper internal controls process. The accounts payable supervisor will be trained on how to upload financial information into Gateway and make manual additions and corrections as needed. The county auditor will then review the data for any oversights prior to submitting the information.

Anticipated Completion Date: The anticipated completion date for this will be March 1, 2023 to coincide with the 2022 AFR due date. The accounts payable supervisor will receive the necessary training in January of 2023, allowing them to upload and enter all needed data by January 31, 2023. Data will then be reviewed and corrected as needed in the month of February prior to final submission.

CHAD SHIREMAN, AUDITOR

HARRISON COUNTY AUDITOR

245 ATWOOD STREET STE. 211

CORYDON, INDIANA 47112

(812) 738-8241

CORRECTIVE ACTION PLAN

FINDING 2021-003

Contact Person Responsible for Corrective Action: Chad Shireman

Contact Phone Number: 812-738-8241

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The county will establish and maintain internal control systems that allow it to ensure compliance with the grant agreement and the reporting compliance requirement. The county auditor will enter all relevant reporting information and the president of the board of county commissioners will review all data prior to submission. This oversight will be documented, providing evidence that they occurred and allowing them to be further evaluated for effectiveness.

Anticipated Completion Date: Progress for these changes will be immediate. Elected officials and county employees will be identified and roles will be assigned for the newly established internal controls. These changes will be in place prior to the next round of grant disbursements and reporting deadlines.

CHAD SHIREMAN, AUDITOR

HARRISON COUNTY AUDITOR

245 ATWOOD STREET STE. 211
CORYDON, INDIANA 47112
(812) 738-8241

CORRECTIVE ACTION PLAN

FINDING 2021-004

Contact Person Responsible for Corrective Action: Chad Shireman
Contact Phone Number: 812-738-8241

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Although the county ensures that subgrantees or contracted vendors were not excluded or disqualified from participation in federal award programs, no internal controls were in place. Internal controls will be introduced and documentation will be completed for supporting documentation.

Anticipated Completion Date: The county auditor's office will begin implementing internal controls immediately. All changes are anticipated to be completed by December 31, 2022.

CHAD SHIREMAN, 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/>.