

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SULLIVAN COUNTY, INDIANA

January 1, 2021 to December 31, 2021



**FILED**  
09/20/2022



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Shelly Hiatt-Parris	01-01-21 to 12-31-22
County Treasurer	Janna J. Johnson	01-01-21 to 12-31-22
Clerk of the Circuit Court	Tonya Bedwell	01-01-21 to 12-31-22
County Sheriff	Clark Cottom	01-01-21 to 12-31-22
County Recorder	Beth E. Swalls	01-01-21 to 12-31-22
County Surveyor	Cheryl Waterman	01-01-21 to 12-31-22
President of the Board of County Commissioners	Robert A. Davis	01-01-21 to 12-31-22
President of the County Council	Jerry Payne	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 SULLIVAN 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 Sullivan 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 September 6, 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, 2021-002, and 2021-003, 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)

***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 is described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001.

***Sullivan 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

September 6, 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 SULLIVAN COUNTY, INDIANA

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

***Opinion on Each Major Federal Program***

We have audited Sullivan 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.

**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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2021-004, to be material weaknesses.

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)

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.

**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 September 6, 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 6, 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.

SULLIVAN 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 Justice</u>					
COVID-19 - Coronavirus Emergency Supplemental Funding Program Coronavirus Emergency Supplemental Funding Program	Indiana Criminal Justice Institute	16.034	0322020VDBX0244	\$ -	\$ 41,014
Crime Victim Assistance VOCA	Indiana Criminal Justice Institute	16.575	VOCA-2020-00069	-	33,050
Total - Department of Justice				-	74,064
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning & Construction Highway Planning & Construction	Indiana Department of Transportation	20.205	DES 1593018	-	8,895
Total - Highway Planning and Construction Cluster				-	8,895
Airport Improvement Program Airport Improvement Program Airport Improvement Program	Direct	20.106	AIP 3-18-0080-021-2020 AIP 3-18-0080-022-2021	- -	233,545 58,373
Total - Airport Improvement Program				-	291,918
Total - Department of Transportation				-	300,813
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus Relief Fund CARES	Indiana Finance Authority	21.019	2021	-	67,127
Total - Department of the Treasury				-	67,127
<u>Election Assistance Commission</u>					
COVID-19 - 2021 HAVA Election Security Grants 2021 HAVA Election Security Grant	Indiana Secretary of State	90.404	IN20101CARES	-	25,496
Total - Election Assistance Commission				-	25,496
<u>Department of Health and Human Services</u>					
Public Health Emergency Preparedness Public Health Emergency Preparedness	Indiana State Department of Health	93.069	NU90TP922052	-	28,332

SULLIVAN 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	Indiana State Department of Health	93.268			
Immunization Cooperative Agreements			NH23IP922631	-	28,710
COVID-19 - Immunization Cooperative Agreements	Indiana State Department of Health	93.268			
COVID-19 - Immunization Cooperative Agreements			NH23IP922631	-	26,425
Total - Immunization Cooperative Agreements				-	55,135
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Indiana State Department of Health	93.323			
Epidemiology and Laboratory Capacity for Infectious Diseases			NU50CK000503	-	26,808
Child Support Enforcement	Indiana Department of Child Services	93.563			
Clerk Incentive Disbursements			2021	-	8,707
Prosecutor Incentive Disbursements			2021	-	10,584
IV-D Clerk Reimbursement			2021	-	29,112
IV-D Prosecutor Reimbursement			2021	-	110,062
Indirect Costs			2021	-	33,980
Total - Child Support Enforcement				-	192,445
Total - Department of Health and Human Services				-	302,720
<u>Department of Homeland Security</u>					
Emergency Management Performance Grants	Indiana Department of Homeland Security	97.042			
Dept of Homeland Security			EMC-2020-EP-00001-S01	-	18,000
Dept of Homeland Security			EMC-2019-EP-00003	-	20,951
Total - Emergency Management Performance Grants				-	38,951
BRIC: Building Resilient Infrastructure and Communities	Indiana Department of Homeland Security	97.047			
Dept of Homeland Security			EMC-2017-PC-0004	-	660
Total - Department of Homeland Security				-	39,611
Total federal awards expended				\$ -	\$ 809,831

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

SULLIVAN 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.

SULLIVAN 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
20.106	Airport Improvement Program	Unmodified
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
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**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.

SULLIVAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition and Context*

The County had not established 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). The County did not have a proper system of internal control in place to prevent, or detect and correct, errors on the SEFA.

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

1. The COVID-19 - Coronavirus Emergency Supplemental Funding Program was omitted, which understated expenditures by \$41,014.
2. The Crime Victim Assistance program was omitted, which understated expenditures by \$33,050.
3. The Highway Planning and Construction Cluster expenditures were overstated by \$1,261,124.
4. The Airport Improvement Program (other identifying number AIP 3-18-0080-021-2020) grant expenditures were overstated by \$87,555, and the Airport Improvement Program (other identifying number AIP 3-18-0080-022-2021) grant was omitted, which understated expenditures by \$58,373.
5. The Coronavirus State and Local Fiscal Recovery Funds Program was improperly reported, which overstated expenditures by \$200,735,550.
6. The COVID-19 - Coronavirus Relief Fund program was omitted, which understated expenditures by \$67,127.
7. The COVID-19 - 2021 HAVA Election Security Grants program was omitted, which understated expenditures by \$25,496.
8. The Public Health Emergency Preparedness program was omitted, which understated expenditures by \$28,332.
9. The Immunization Cooperative Agreements program was omitted, which understated expenditures by \$55,136.
10. The Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) program was omitted, which understated expenditures by \$26,808.
11. The Emergency Management Performance Grants expenditures were overstated by \$87,704.
12. Additional grants had individually immaterial errors that resulted in misstatements of expenditures of \$1,216 in total.
13. Other errors included federal grantor agencies, program titles, project titles, pass-through entities, Assistance Listings Numbers, and identifying numbers.

SULLIVAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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 200.1 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 . . ."

SULLIVAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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 in § 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*.

*Views of Responsible Officials*

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

SULLIVAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2021-002***

Subject: Financial Transactions and Reporting - County Auditor  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2020-002.

*Condition and Context*

Deficiencies in the internal control system of the County related to financial transactions and reporting were identified. The County Auditor had not established an effective system of internal control over financial close and reporting, receipts, and disbursements.

*Financial Close and Reporting*

The County Auditor did not have an effective system of internal control in place to prevent, or detect and correct, errors in the Annual Financial Report (AFR) entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement. The County Auditor entered the information without an oversight, review, or approval process.

*Receipts*

There was no segregation of duties over the receipting process. One individual posted the receipts to the accounting system and wrote the quietus without an oversight, review, or approval process.

*Disbursements*

The First Deputy County Auditor processed vendor and payroll claims and entered them onto the claims register. The First Deputy County Auditor then used the County Auditor's signature stamp to certify the accuracy of the claims without the County Auditor actually performing a review. There was no documentation of internal controls in place, such as an oversight, review, or approval process.

Payroll claims were processed and entered into the payroll system by the Payroll Clerk. Then the Payroll Clerk used the County Auditor's signature stamp to certify the accuracy of payroll claims without the County Auditor actually performing a review. There was no documentation of internal controls in place, such as an oversight, review, or approval process.

*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:

SULLIVAN 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, receipts, and disbursements.

*Effect*

The failure to establish a system of internal control could have enabled misstatements or irregularities 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.

**FINDING 2021-003**

Subject: Financial Transactions and Reporting - Clerk of the Circuit Court  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2020-004.

*Condition and Context*

There were several deficiencies in the internal control system of the County related to financial transactions and reporting. The Clerk of the Circuit Court had not established an effective system of internal control over cash and investments, receipts, and disbursements.

*Cash and Investments*

Monthly bank reconciliations were performed; however, there was no evidence of internal controls in place to prevent, or detect and correct, errors in cash and investments, such as an oversight, review, or approval process.

SULLIVAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Receipts*

Internal controls over receipts were properly designed; however, no evidence was provided for audit to indicate that these internal controls were implemented and operating effectively.

*Disbursements*

Internal controls over disbursements were properly designed; however, no evidence was provided for audit to indicate that these internal controls were implemented and operating effectively.

*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. . . ."

*Cause*

Management had not established a proper system of internal control over cash and investments, receipts, and disbursements.

*Effect*

The failure to establish a system of internal controls could have enabled material misstatements or irregularities 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.

SULLIVAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

**FINDING 2021-004**

Subject: Airport Improvement Program - Special Tests and Provisions - Wage Rate Requirements  
Federal Agency: Department of Transportation  
Federal Program: Airport Improvement Program  
Assistance Listings Number: 20.106  
Federal Award Number and Year (or Other Identifying Number): AIP 3-18-0080-021-2020  
Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements  
Audit Finding: Material Weakness

*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 Special Tests and Provisions - Wage Rate Requirements compliance requirement.

Certified payrolls for the construction contract were reviewed by the third-party project engineer without a review or approval process in place at the County level.

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 developed a system of internal control that would have ensured compliance with the grant agreement and the compliance requirement listed above.

*Effect*

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

SULLIVAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Recommendation*

We recommended that the County's management establish internal controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Wage Rate Requirements 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.

# Lee R. (Shelly) Hiatt Parris

*Sullivan County Auditor*

*"Proudly Serving Sullivan County"*

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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: Uncorrected

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100 Court House Square, Room 202 • Sullivan, Indiana 47882

[lrparris@sullivancounty.in.gov](mailto:lrparris@sullivancounty.in.gov)

(812) 268-4491 • Fax: (812) 268-3612

# Lee R. (Shelly) Hiatt Parris

*Sullivan County Auditor*

*"Proudly Serving Sullivan County"*

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2020-002**

Fiscal year in which the finding initially occurred: 2020

Status of Audit Finding: Uncorrected

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### FINDING 2020-003

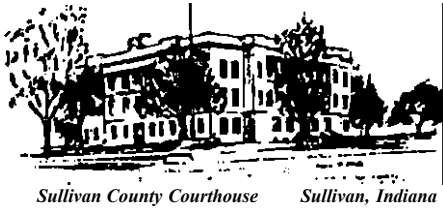
Fiscal year in which the finding initially occurred: 2020

Status of Audit Finding: This was corrected in August of 2021



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100 Courthouse Square Rm 201  
Sullivan, IN 47882  
Phone: 812-268-6410 Fax: 812-268-4250  
E-mail: [treasurer@sullivancounty.in.gov](mailto:treasurer@sullivancounty.in.gov)  
Hours: 8:00AM – 4:00PM M-F



*Tonya Bedwell*

Clerk of Sullivan County  
Circuit and Superior Court  
P.O. Box 370  
Sullivan, Indiana 47882-0370

Phone: 812-268-4657

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-004

Fiscal year in which the finding initially occurred: 2020

Status of Audit Finding: Uncorrected in 2021, but corrected when it was brought to Clerk's attention in February 2022.

# Lee R. (Shelly) Hiatt Parris

*Sullivan County Auditor*

*"Proudly Serving Sullivan County"*

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## **FINDING 2021-001**

Contact Person Responsible for Corrective Action: Shelly Hiatt Parris  
Contact Phone Number: 812-268-4491

### Views of Responsible Official:

We concur with the findings.

### Description of Corrective Action Plan:

Internal controls are being put into place as follows:

We are looking at establishing a grant ordinance/resolution that will include paperwork for those obtaining grants to fill out and turn into the Auditor and the Commissioners for our records showing the request for all grants applied for and received so that we may maintain an accurate accounting of each grant. Our office will maintain an accounting that will be checked by one of the other Auditor's Deputies. Hopefully this will help in keeping all of the federal grants up to date with all pertinent information.

After grants are entered into Gateway for the Annual Financial Report by one individual in the Auditor's office, they will be checked by another Deputy in the Auditor's office.

### Anticipated Completion Date:

By the end of Dec., 2022

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(812) 268-4491 • Fax: (812) 268-3612

# Lee R. (Shelly) Hiatt Parris

*Sullivan County Auditor*

*"Proudly Serving Sullivan County"*

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## **FINDING 2021-002**

Contact Person Responsible for Corrective Action: Shelly Hiatt Parris  
Contact Phone Number: 812-268-4491

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan:

The County Auditor is diligently working on getting Internal Controls set into place in the County Auditor's Office. There will be segregation of duties concerning financial close and reporting, receipting, and disbursements.

Financial Close and Reporting:

As will be done with the SEFA, financials and all items being entered into Gateway by one individual in the Auditor's office will be checked by another deputy in the Auditor's office.

Receipts:

Once we receive the paperwork from the Treasurer to quietus in the money, the Auditor's deputy receipting in is creating the quietus and the Auditor will check the work and initial the quietus.

Disbursements:

Claims:

The Auditor will check and sign all claims before payment. One Deputy prepares the vendor checks after the Claims Deputy has entered all information into the system for payment.

Payroll:

The Auditor checks all payroll vouchers and signs off on them before payment. The payroll Deputy then enters all information for payroll into the system and one of the other Deputies writes the payroll checks.

The Commissioners sign off on all claims, payroll and checks.

Anticipated Completion Date:

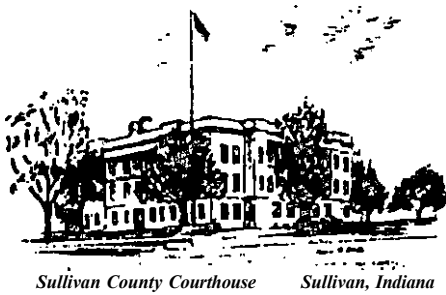
Began May 2022

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*Tonya Bedwell*

Clerk of Sullivan County  
Circuit and Superior Court  
P.O. Box 370  
Sullivan, Indiana 47882-0370

Phone: 812-268-4657

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### Corrective Action Plan

FINDING 2021-003

Contact Person Responsible for Corrective Action: Tonya Bedwell, Clerk  
Contact Phone Number: 812-268-4657

Views of Responsible Official: I agree that implementing initials will allow a visual of the review and show the documentation.

Description of Corrective Action Plan:

#### Cash and Investments

The Clerk will implement a set of 2 initials to the monthly reconciliation report in the internal control process that is already in place that will show documentation of the review that took place.

#### Receipts

The Clerk will implement a set of 2 initials, 1 set of initials will be from the individual that has prepared the deposit and the other initial will be from the individual that took the deposit to the bank. This will be added to the internal control process that is already in place to show documentation of the review.

#### Disbursements

The Clerk will implement a set of 2 initials to the internal control process that is already in place that will show documentation of the review that took place of the issue of checks.

Anticipated Completion Date:

I have already implemented the above changes in February 2022 to show that the internal controls are taking place.

# *Sullivan County Airport*

*SIV*

P. O. Box 351 Sullivan, Indiana 47882  
(812) 268-6959

## CORRECTIVE ACTION PLAN

### ***FINDING 2021-004***

Contact Person Responsible for Corrective Action: Patrick Harmon, Airport Manager  
Contact Phone Number: 812-268-6959

Views of Responsible Official: I concur with the finding as preliminarily discussed with person performing audit.

Description of Corrective Action Plan: The Sullivan County Board of Aviation Commissioners, at the next monthly regular Board meeting, will be made aware of the finding for which additional discussion will ensue and the Minutes of that meeting will reflect the understanding that Wage Rate Requirements for any funded work performed at the request of the Board are in fact, examined by the Board to ensure requirements are being met to the satisfaction of all interested parties: third party examination is allowed, however, the Board is the responsible party.

Anticipated Completion Date: September 13<sup>th</sup>, 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/>.