

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

WASHINGTON COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED

12/21/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Kyra Stephenson	01-01-20 to 12-31-21
County Treasurer	Shirley Batt Nancy Coats	01-01-20 to 12-31-20 01-01-21 to 12-31-21
Clerk of the Circuit Court	Stephanie K. Rockey	01-01-20 to 12-31-21
County Sheriff	Brent Miller	01-01-20 to 12-31-21
County Recorder	Terri Graves	01-01-20 to 12-31-21
President of the Board of County Commissioners	Phillip D. Marshall	01-01-20 to 12-31-21
President of the County Council	Karen Wischmeier	01-01-20 to 12-31-21



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 WASHINGTON 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 Washington County (County), for the year ended December 31, 2020, and the related notes to the financial statement, which collectively comprise the County's financial statement and have issued our report thereon dated November 10, 2021, wherein we noted the County followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters


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

Washington County's Response to Findings

The County's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

November 10, 2021



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

TO: THE OFFICIALS OF WASHINGTON COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited Washington County's (County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2020. The County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the County's compliance.

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

Opinion on the Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statement of the County, as of and for the year ended December 31, 2020, and the related notes to the financial statement. We issued our report thereon dated November 10, 2021, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

November 10, 2021

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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.

WASHINGTON COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Justice</u>				
Crime Victim Assistance VOCA	Indiana Criminal Justice Institute	16.575	2018-V2-GX-0031	\$ 26,565
Total - Department of Justice				<u>26,565</u>
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster Highway Planning and Construction Bridge Inspection	Indiana Department of Transportation	20.205	DES 1500216	85,949
Total - Highway Planning and Construction Cluster				<u>85,949</u>
Total - Department of Transportation				<u>85,949</u>
<u>Department of Treasury</u>				
COVID-19 - Coronavirus Relief Fund Election Security	Indiana Finance Authority	21.019	400_COVIDRELIEF	906,576
Total - Department of Treasury				<u>906,576</u>
<u>Election Assistance Commission</u>				
COVID-19 - 2020 HAVA CARES Act Grant Election Security	Indiana Secretary of State	90.404	040_INCOVID2020	3,578
Total - Election Assistance Commission				<u>3,578</u>
<u>Department of Health and Human Services</u>				
Child Support Enforcement Clerk Incentive Indirect Cost Prosecutor Expenditures Prosecutor Incentive Clerk Expenditures	Indiana Department of Child Services	93.563	FY2020 FY2020 FY2020 FY2020 FY2020	9,332 36,439 141,927 23,843 9,475
Total - Child Support Enforcement				<u>221,016</u>
Opioid STR Opioid Response	Indiana Supreme Court	93.788	022OPOIDSORF19	120,000
Total - Department of Health and Human Services				<u>341,016</u>
Total federal awards expended				<u>\$ 1,363,684</u>

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

WASHINGTON COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 2020. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the County, it is not intended to and does not present the financial position of the County.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

WASHINGTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no

Identification of Major Program and type of auditor's report issued on compliance for it:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
21.019	COVID-19 - Coronavirus Relief Fund	Unmodified

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

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

FINDING 2020-001

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

Condition and Context

The County had not established 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).

One employee prepared and entered the federal award information into Gateway, and another employee reviewed and approved the information entered. However, the internal controls were not effective and did not detect and allow correction of errors prior to submission.

WASHINGTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

1. The Opioid STR grant was omitted, which understated expenditures by \$120,000.
2. Several additional grants had individually immaterial errors that resulted in a net overstatement of expenditures by \$1,837.
3. Not all program names, pass-through entities, and identifying numbers were correct.

Audit adjustments were proposed, accepted by the County, and made to the SEFA presented in this report.

Criteria

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

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

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.62 states in part:

"Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:

- (a) Transactions are properly recorded and accounted for, in order to:
 - (1) Permit the preparation of reliable financial statements . . ."

WASHINGTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 CFDA number or other identifying number when the CFDA 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 Basis for determining Federal awards expended, paragraph (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 Indirect (F&A) costs."

Cause

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

Effect

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

WASHINGTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

FINDING 2020-002

Subject: Preparation of the Annual Financial Report
Audit Findings: Material Weakness, Noncompliance

Condition and Context

There were several deficiencies in the internal control system of the Clerk of the Circuit Court (Clerk) related to financial transactions and reporting as follows:

Cash and Investments

Proper internal controls were not in place over cash and investments. One person performed the monthly bank reconciliements without any documented oversight or review. This same individual was also responsible for reconciling daily cash collections. We also noted the following exceptions:

- Three of the monthly bank reconciliements for the Clerk's Odyssey bank account were not presented for audit. Of the nine Odyssey bank reconciliements that were presented, two were unsigned and undated.
- Seven of the monthly bank reconciliements for the Clerk's ISETS bank account were completed more than 90 days after month end.

Financial Transactions

Evidence was not presented for audit that internal controls were in place to ensure that all financial activity for the day was properly recorded to the Cash Book. There was no documentation presented to show that the Daily Cash Balance report was reviewed to ensure that all receipt and disbursement activity for the day was properly processed and recorded within the computerized financial system.

Proper internal controls were not in place for disbursement transactions. Checks were issued by one individual with no evidence presented for audit to substantiate oversight or review to ensure that the checks were issued to the proper payee and for the proper amount.

Financial Reporting

Internal controls over the Supplemental CAR-1 report for the Clerk's financial information were not effective. The amounts reported were incorrect. There were minor errors, which were primarily attributable to child support (ISETS) and an escrowed trust account. As a result of these errors, the beginning cash balance was overstated by \$5,918, receipts were overstated by \$6,994, disbursements were overstated by \$5,014, and the ending cash balance was overstated by \$7,898.

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

WASHINGTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

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

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

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

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

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

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Clerk of the Circuit Courts of Indiana, Chapter 1)

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

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

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

WASHINGTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

The County's management had not established a proper system of internal controls over financial transactions and reporting.

Effect

The failure to establish internal controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the Clerk at risk that internal controls may not be either designed properly or operating effectively to provide reasonable assurance that internal controls will prevent, or detect and correct, misstatements in a timely manner. The financial statement contained the errors identified in the *Condition and Context*.

Views of Responsible Officials

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

FINDING 2020-003

Subject: Internal Controls over Financial Transactions and Reporting - County Sheriff
Audit Findings: Material Weakness, Noncompliance

Condition and Context

There were several deficiencies in the internal control system of the County Sheriff related to financial transactions and reporting.

The County Sheriff had not designed or implemented internal controls, including segregation of duties. One person was responsible for recording the financial activity, making deposits, writing checks, and performing bank reconciliations. The process was completed without a documented oversight, review, or approval process to ensure the accuracy of the financial transactions and reporting.

Inmate Trust

Monthly reconciliations of the subsidiary record of the individual inmates' account balances to the inmate trust control account per the Inmate Trust ledger were not being performed. Reconciliation of the subsidiary account to the control account is needed to ensure all financial transactions have been properly recorded in the financial record. There were no reports available showing the monthly transaction totals or balances. Some records were eventually obtained with the software provider's help.

Transfers for commissary sales due to the Sheriff Commissary fund were not made in a timely manner. On December 31, 2020, a total of \$123,312 was due from the Sheriff's Inmate Trust fund to the Sheriff Commissary fund. Of this amount, \$102,674 was attributable to sales dating back to 2017 and 2018.

Cash Book

Monies were retained in the County Sheriff's Cash Book for which the source of the funds could not be identified. The County Sheriff's Cash Book had a balance of \$27,716 on December 31, 2020, of which \$18,956 could not be identified as to the source of the funds. Of the unidentified balance, \$2,267 originated in 2020, with the remainder originating in prior years.

WASHINGTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

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

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

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

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

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Cause

The County Sheriff had not established a proper system of internal controls over financial transactions and reporting.

Effect

The failure to establish a system of internal controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County Sheriff's department at risk that internal controls may not be either designed properly or operating effectively to provide reasonable assurance that internal controls will prevent, or detect and correct, misstatements in a timely manner.

Views of Responsible Officials

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

WASHINGTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

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AUDITEE-PREPARED DOCUMENT

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



Washington County Auditor

99 Public Square, Suite 103

Salem, IN 47167

Corrective Action Plan

Finding 2020-001

Contact Person Responsible for Corrective Action: Kyra Stephenson, Washington County Auditor

Contact Phone Number: 812-883-4805

Views of Responsible Official

We concur with the findings.

Description of Corrective Action Plan:

Washington County, Indiana Government has developed the following plan to prevent, or detect and correct, errors in the financial information entered into the Indiana Gateway for Governmental Units financial reporting system, which is the source for the Schedule of Expenditures of Federal Awards (SEFA).

In addition to the controls currently exercised which will not be mentioned here, with respect to both (1) federal programs excluded from the SEFA and (2) federal grant programs erroneously included on SEFA, Washington County will, annually, before the SEFA is submitted to Gateway: (1) circulate the proposed SEFA to all Washington County elected officials and department heads for approval and input to identify federal grants that are inappropriately either included or excluded from the proposed SEFA and make appropriate changes; (2) verify if any sources of funds containing Federal CFDA numbers are inappropriately excluded from the SEFA and ensure all funds reported on the SEFA contain appropriate Federal CFDA numbers; (3) if questions remain, we will communicate with other Auditors throughout Indiana and, if appropriate, discuss any further remaining questions as to whether a fund should or should not be reported on SEFA; and finally, (4) contact the State Board of Accounts to clarify any remaining questions about whether funds should or should not be included on the SEFA.

Anticipated Completion Date: Immediately



STEPHANIE K. ROCKEY, CLERK
WASHINGTON COUNTY CLERK OF THE COURTS

CORRECTIVE ACTION PLAN

FINDING 2020-002

Contact Person Responsible for Corrective Action: Stephanie K. Rockey, Clerk

Contact Phone Number: 812-883-5748 x1120

Views of Responsible Official:

We concur with the Finding

Description of Corrective Action Plan:

Cash and Investments:

Effective controls will be established and documented by signatures to ensure that proper reviews and approvals over the monthly bank reconcilements and over the daily reconciling of cash collections. Monthly bank reconcilements will be performed timely, retained for audit, and uploaded monthly into the Gateway system.

Financial Transactions: The Cash Book and Daily Cash Balance report will include additional signatures to provide evidence of the review and approval process performed. Additional signatures will be added to check distributions to further substantiate that they have been reviewed and approved.

Financial Reporting: The CAR-1 report will be prepared by one individual and reviewed and approved by another as evident by signatures to ensure the amounts reported are correct.

Anticipated Completion Date:

Cash and Investments: 11-5-2021

Financial Transactions: 11-5-2021

Financial Reporting: 11-5-2021

Stephanie K. Rockey

WASHINGTON COUNTY JUDICIAL CENTER
801 S. JACKSON STREET, SUITE 102
SALEM, INDIANA 47167
PH. 812-883-5748 FAX: 812-896-0050



CORRECTIVE ACTION PLAN

FINDING 2020-003

Contact Person Responsible for Corrective Action: Judy Miller- Bookkeeper
Contact Phone Number: (812) 883-5999 Option 4

Views of Responsible Official: Brent A. Miller- Sheriff

We concur with the finding.

Description of Corrective Action Plan:

We have implemented segregation of duties over incompatible activities as detailed below.

Inmate Trust:

1. The Bookkeeper performs monthly bank reconcilements using monthly bank statements and reports from Lock Down software. It is saved to an existing file on the computer and the hard copies are saved by the month and year.
2. They monthly bank reconciliations are signed and verified by the Jail Commander. (Note: If the Jail Commander is not available, it is signed and verified by the Chief Deputy.)
3. The Bookkeeper runs monthly reports on commissary sales through Lock Down software to determine how much money is due to be transferred from the Inmate Trust Account to the Commissary Account.
4. Hard copies of the reports and transfer amounts are saved by month and year.
5. The monthly transfers are signed and verified by the Jail Commander. (Note: If the Jail Commander is not available, it is signed and verified by the Chief Deputy.)
6. The Bookkeeper performs monthly reconciliation of the subsidiary records to the Inmate Trust account.
7. The Jail Commander will sign and verify the reconciliations. (Note: If the Jail Commander is not available, it is signed and verified by the Chief Deputy)
8. Hard copies are saved by month and year.

(Continued)

Cash Book:

1. We have signed a contract with Liberman Technologies and will be using their Cash Book Software.
2. The Bookkeeper is now able to connect to the Washington County Auditor's financial software. The Bookkeeper has reconciled all of the disbursements from all line item funds.
3. Bonds are collected in the dispatch center, counted and totaled by dispatchers and placed in a safe.
4. The Bookkeeper pulls the monies from the safe, counts it and prepares a bank deposit slip.
5. The Bookkeeper takes her deposit slip and the monies to the bank. The bank counts the monies and gives the Bookkeeper a receipt. The bank receipt is kept with a copy of the Bookkeeper's deposit slip in that accounts deposit book. The bank receipt and deposit slip are saved by the date and year.
6. Any Report fees, Background Checks fees, Offender fees, Tax Warrant payments, Paper Service fees, Sheriff Sales fees, etc. that are collected by the Administrative Staff, is counted, totaled, and placed in a safe.
7. The Bookkeeper pulls the monies, counts it and creates a bank deposit slip.
8. The Bookkeeper takes her deposit slip and the monies to the bank. The bank counts the monies and gives the Bookkeeper a receipt. The bank receipt is kept with a copy of the Bookkeeper's deposit slip in that accounts deposit book. The bank receipt and deposit slip are saved by the date and year.
9. The Cash Book software will track all receipts and disbursements.
10. The Bookkeeper will transfer the unidentified monies from the Cash Book account to the County's General Fund by December 15, 2021.

Anticipated Completion Date: These procedures and controls were implemented on 11/09/2021.

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/>.