

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

AUDIT REPORT

OF

EMERGENCY MANAGEMENT OFFICE

HENRY COUNTY, INDIANA

January 1, 2005 to December 31, 2005



FILED

11/21/2006

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
County Officials	2
Transmittal Letter	3
Audit Result and Comment: Federal Compliance Requirements	4
Exit Conference	5
Official Response	6-9

COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director of the Emergency Management Office	Ronald Huffman	01-01-05 to 12-31-06
President of the Board of County Commissioners	Phillip J. Estridge Don L. Shaw Larry D. Hale	01-01-05 to 01-26-05 01-27-05 to 12-31-05 01-01-06 to 12-31-06
President of the County Council	Robert L. Veach	01-01-05 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF HENRY COUNTY

We have audited the records of the Emergency Management Office for the period from January 1, 2005 to December 31, 2005, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Result and Comment. The financial transactions of this office are reflected in the Annual Report of Henry County for the year 2005.

STATE BOARD OF ACCOUNTS

September 13, 2006

EMERGENCY MANAGEMENT OFFICE
HENRY COUNTY
AUDIT RESULT AND COMMENT

FEDERAL COMPLIANCE REQUIREMENTS

The Emergency Management Office did not meet federal compliance requirements in the following areas:

Cash Management

The Emergency Management Office did not disburse federal funds received from the U.S. Department of Homeland Security within 120 days of receipt of the funds. Also, no method of calculating and remitting interest earned on excess funds on hand had been established.

Reports

The Emergency Management Office did not submit reports for audit that would have indicated that it had complied with reporting requirements of the U.S. Department of Homeland Security.

Debarred Parties

The Emergency Management Office purchased items without verifying that vendors were not on the federal government list of debarred or suspended parties.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

EMERGENCY MANAGEMENT OFFICE
HENRY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 10, 2006, with Ronald Huffman, Director of the Emergency Management Office. The official response has been made a part of this report and may be found on pages 6 through 9.

Also, the contents of this report were discussed on September 13, 2006, with Linda S. Ratcliff, Auditor; Larry D. Hale, President of the Board of County Commissioners; Robert Veach, President of the County Council and Philip J. Estridge, member of the Board of County Commissioners.

HENRY COUNTY
CORRECTIVE ACTION PLAN

Finding 2005-2. Cash Management Response

Federal Agency: U.S. Department of Homeland Security

Federal Program: State Emergency Preparedness Equipment

CFDA Number: 97.004

Pass-Through: State Emergency Management Agency

Henry County had cash balances on hand at January 1, 2005 and received advance payments during the year 2005 from several different State emergency Preparedness Grants. Less than 10% of grant advances were expended within 120 days of January 1 (if the balance was on hand at the first of the year) or within 120 days of receipt (if received during the year). No method of calculating and remitting interest earned on excess funds on hand has been established.

Response:

The Indiana State Emergency Management representatives advised local directors that all funds should be expended within one year from the arrival of the funds to the county.

Corrective Action:

All funds will be expended within the 120 day time frame. I will address with the county auditors office a method to calculate and remit interest earned on excess funds.

OMB Circular A-133 states, "When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. When advance payment procedures are used, recipients must establish similar procedures for subrecipients.... Interest earned on advances by local government grantees and subgrantees is required to be submitted promptly, but at least quarterly, to the Federal agency. Up to \$100 per year may be kept for administrative expenses."

Response:

I was under the impression that the funds were placed in non interest bearing accounts.

Corrective Action:

Future funds will be expended with-in a time frame that does not allow the accumulation of excessive amounts of interest.

These excess funds held at the County level had the effect of making the Federal government pay interest on borrowed money that it would not have had to borrow, had the money not been in a Henry County bank account.

We recommended that the County establish and implement procedures that will minimize the time elapsing between the transfer of funds from the State and disbursement. Also, any interest earned on advances should be submitted promptly to the Federal agency.

Response:

Henry County will submit interest earned in excess of \$100.00 to the Indiana Department of Homeland Security for the U.S. Department of Homeland Security.

Corrective Action:

All funds will be expended within the 120 day time frame. A method of returning interest to the Federal government will be addressed with the Indiana Department of Homeland Security.

Finding 2005-3, Reporting Deficiencies

Federal Agency: U.S. Department of Homeland Security

Federal Program: State Emergency Preparedness Equipment

CFDA Number: 97.004

Pass-Through: State Emergency Management Agency

No copies of reports that were purported to have been submitted to the State Emergency Management Agency were presented for audit.

Response:

The Henry County Emergency Management Agency data was submitted to the Indiana Department of Homeland Security quarterly. Due to a computer virus on the agencies main computer system all supporting data was lost.

Corrective Action:

We are currently installing/updating our computer system infrastructure to include mass storage capabilities for back-ups.

OMB Circular A-133 states "Pass-through entities must establish reasonable procedures to ensure receipt of reports on subrecipients' cash balances and cash disbursements in sufficient time to enable the pass-through entities to submit complete and accurate cash transactions reports to the Federal awarding agency or pass-through entity. Pass-through entities must monitor cash drawdowns by their subrecipients to assure that subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity."

The lack of preparation, submission, or review by the pass-through agency of reports could lead to the State:

- 1) Not being aware of possible excess federal cash balances on hand,
- 2) Not being aware of possible expenditures for items that were not approved
- 3) Submitting reports to the Federal government that are not complete.

We recommended that reports be prepared, be timely submitted to the State and for copies of the reports to be maintained and available for audit.

Finding 2005-4. Excluded Parties

Federal Agency: U.S. Department of Homeland Security

Federal Program: State Emergency Preparedness Equipment

CFDA Number: 97.004

Pass-Through: State Emergency Management Agency

The Henry County Emergency Management Office purchased items without verifying that the vendor was not on the federal government's list of debarred or suspended parties.

Response:

The Henry County Emergency Management Agency was unaware of this website and available search tool.

Corrective Action:

We will monitor the Excluded Parties List at <http://www.epls.gov/> before any future purchases.

OMB Circular A-133 states, "Effective November 26, 2003, when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transactions with that entity."

The GSA established the EPLS so that firms that did not meet the minimum standards required for federal funds would not benefit from future government programs and the governmental unit would be less likely to receive inferior performance. Also, if excluded parties do not receive the sanctions earned from their previous unsatisfactory performance, it will make it more difficult for the GSA to deter other vendors from substandard performance. We recommended verifying the status of all vendors before a purchase is made from them.