

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
HENDRICKS COUNTY, INDIANA
January 1, 2013 to December 31, 2013



FILED
11/07/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Cinda Kattau	01-01-11 to 12-31-14
Treasurer	Nancy L. Marsh	01-01-11 to 12-31-14
Clerk	Debbie Hoskins	01-01-13 to 12-31-16
Sheriff	David Galloway	01-01-11 to 12-31-14
Recorder	Theresa L. Lynch	05-08-12 to 12-31-14
President of the Board of County Commissioners	Phyllis Palmer	01-01-13 to 12-31-14
President of the County Council	Jay Puckett	01-01-13 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

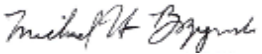
Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF HENDRICKS COUNTY, INDIANA

This report is supplemental to our audit report of Hendricks County (County), for the period from January 1, 2013 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.


Michael Bozyski, CPA
Deputy State Examiner

September 9, 2014

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COUNTY AUDITOR
HENDRICKS COUNTY

COUNTY AUDITOR
HENDRICKS COUNTY
FEDERAL FINDING

***FINDING 2013-001 - INTERNAL CONTROLS OVER PREPARATION
OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The County did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The County should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted that Child Support Enforcement (CFDA 93.563) was understated by \$409,674. There were also various errors in regard to Grantor Agency, Cluster Title, Program Title, or Project Title. Audit adjustments were proposed, accepted by the County, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that was materially correct in relation to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

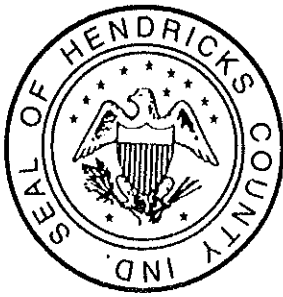
OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section.310."

COUNTY AUDITOR
HENDRICKS COUNTY
FEDERAL FINDING
(Continued)

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. 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 award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual 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 shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."



Hendricks County Auditor

Cinda Kattau
355 S Washington St #202
Danville, IN 46122-1759
317-745-9300
(Fax) 317-745-9389

CORRECTIVE ACTION PLAN

Finding Number 2013-001, Hendricks County
Internal Controls Over Financial Transactions & Reporting

Corrective Action Plan:

Upon receipt of Federal Grant Awards, the Financial Administrator is to determine the correct budget account code and the Budgetary Clerk prepares a quietus.

The County Auditor will maintain a file of remittance advice on all grant receipts. Quarterly, Auditor will update the grant ledger of all receipts and expenditures reconciling to the financial system. IV-D receipts will be further detailed on its own excel spreadsheet.

For reimbursing grants (with the exception of IV-D), Auditor will request copies of all claim vouchers being submitted for reimbursement and follow up to ensure receipt. On advance grants, Auditor will verify that expenditures are for permissible expenses and notify departments of unspent balances.

Cinda Kattau
Cinda Kattau, Hendricks County Auditor

9/9/14
Date

COUNTY AUDITOR
HENDRICKS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 9, 2014, with Cinda Kattau, Auditor, and Phyllis Palmer, President of the Board of County Commissioners.

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COUNTY PROSECUTOR
HENDRICKS COUNTY

COUNTY PROSECUTOR
HENDRICKS COUNTY
FEDERAL FINDING

FINDING 2013-002 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Health and Human Services

Federal Program: Child Support Enforcement

CFDA Number: 93.563

Federal Award Number and Year (or Other Identifying Number): Calendar 2013

Pass-Through Entity: Indiana Department of Child Services

The County has not established an effective internal control system over compliance requirements relating to allowable costs/cost principles. The failure to establish an effective internal control system places the County at risk of noncompliance with the grant agreement and the compliance requirements.

The County was required to maintain time and effort reports on all full and part time employees paid from the grant. There were no time and effort reports completed for the audit period. The County Prosecutor's Office was not aware of any report required by the State agency that would have fulfilled the compliance requirement.

OMB Circular A-87, Attachment B, item 8h, states in part:

- "(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency."

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the allowable costs/cost principles requirements that have a direct and material effect to the program could result in the loss of federal funds to the County.

We recommended that the County establish controls, including segregation of duties, related to the grant agreement and the compliance requirements noted above that have a direct and material effect to the program.

CORRECTIVE ACTION PLAN

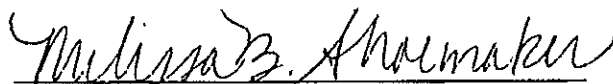
FINDING 2013-002

Contact Person Responsible for Corrective Action: Melissa Shoemaker
Title IV-D Deputy Prosecutor

Contact Phone Number: (317) 745-9285

Description of Corrective Action Plan: Prospectively keep internal record to comply with the following: 2 CFR 225 App. B, 8(h) "(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee."

Anticipated Date of Completion: done



Melissa B. Shoemaker
Title IV-D Deputy Prosecutor
Hendricks County Child Support Division

Date: 8-28-14

COUNTY PROSECUTOR
HENDRICKS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 9, 2014, with Cinda Kattau, Auditor, and Phyllis Palmer, President of the Board of County Commissioners.

The contents of this report were also discussed on September 8, 2014, with Melissa B. Shoemaker, Title IV-D Deputy Prosecutor.