

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

HENRY COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
03/15/2017

*Reissued June 14,
2018, to correct the
Federal Findings*

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Patricia A. French	01-01-11 to 12-31-18
County Treasurer	Byron G. Bundy	01-01-11 to 12-31-18
Clerk of the Circuit Court	Debra Walker	01-01-11 to 12-31-18
County Sheriff	Bruce (Butch) Baker Richard McCorkle	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Recorder	Susan Hufford Linda Winchester	01-01-11 to 12-31-14 01-01-15 to 12-31-18
President of the Board of County Commissioners	Joseph E. Yanos Bruce (Butch) Baker	01-01-13 to 12-31-16 01-01-17 to 12-31-18
President of the County Council	Nathan S. LaMar	01-01-13 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF HENRY COUNTY, INDIANA

This report is supplemental to our audit report of Henry County (County), for the period from January 1, 2014 to December 31, 2014. 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.

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

January 25, 2017

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COUNTY AUDITOR
HENRY COUNTY

COUNTY AUDITOR
HENRY COUNTY
FEDERAL FINDING

FINDING 2014-001

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

Condition

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).

Context

The lack of controls was a systemic problem throughout the audit period. The SEFA contained the following errors:

1. The Highway Planning and Construction Cluster was understated by \$4,500.
2. The Child Support Enforcement program was understated by \$11,352.
3. The Equitable Sharing Program's total federal awards expended were understated by \$364,361 and the total pass-through to subrecipients was understated by \$352,965.

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

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. . . ."

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 § __.310. . . ."

COUNTY AUDITOR
HENRY 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 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."

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 *Context*.

Recommendation

We recommended that the County's management establish effective controls related to the preparation of the SEFA.

Views of Responsible Officials

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

Patricia A. French
Henry County Auditor
101 South Main Street
New Castle IN 47362

CORRECTIVE ACTION PLAN

January 25, 2017

Responsible Party: Patricia A. French

Finding: 2014 – 001

We concur with the finding. In the future, we will 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). This occurred due to human error, and is corrected on the 2016 SEFA schedule.

Sincerely,



Patricia A. French
Henry County Auditor

COUNTY AUDITOR
HENRY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 25, 2017, with Patricia A. French, County Auditor; Cheryl Scales, Chief Deputy of the County Auditor; Bruce (Butch) Baker, County Commissioner; Richard Bouslog, County Council member; and Nathan S. LaMar, President of the County Council.

The updated contents of this report were discussed on June 14, 2018, with Richard McCorkle, County Sheriff; Patricia A. French, County Auditor; Cheryl Scales, Chief Deputy of the County Auditor; Bruce (Butch) Baker, President of the Board of County Commissioners; Rebecca Baker, Matron of the County Sheriff.

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COUNTY TREASURER
HENRY COUNTY

COUNTY TREASURER
HENRY COUNTY
FEDERAL FINDING

FINDING 2014-002

Subject: Financial Reporting
Audit Findings: Material Weakness, Noncompliance

Condition

The County's financial statement contained errors and did not properly reflect the financial activity of some of the offices of the County. The CAR-1 reports of the following offices contained the following errors in their CAR-1 report submitted to the County Auditor's office to be included in the County's 2014 Annual Financial Report, which is used to compile the County's financial statement.

County Treasurer's office - the activity of some excise tax transactions in the County Treasurer's office in the amount of \$2,108,901 were excluded.

County Redevelopment Commission's office - \$146,247 in receipts, \$144,847 in disbursements, and \$1,400 from the ending balance of the County Redevelopment Commission's office were excluded.

County Sheriff's office - a check that was voided and subsequently posted as a receipt in the amount of \$144,875 was erroneously included.

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

Criteria

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

"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.

COUNTY TREASURER
HENRY COUNTY
FEDERAL FINDING
(Continued)

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

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

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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."

Cause

Management of the County offices had not established a proper system of internal control to ensure that all financial activity of the County offices were properly reported to the County Auditor's office to be included in the County's Annual Financial Report and financial statement.

Effect

The failure to establish an internal control system resulted in improper reporting in the County's Annual Financial Report and financial statement.

Views of Responsible Officials

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

CORRECTIVE ACTION PLAN

FINDING 2014-002 Audit Contact Person Responsible for Corrective Action: Byron G. Bundy Jr.

Contact Phone Number (765-529-4404)

Views of Responsible Official:

The issue is that we did not have a starting balance or ending balance for CEDIT, so there was no receipts included on the cash sheet. We have been doing it this way since 2009 and nothing was said about doing it differently. My disagreement is now we are being written up instead of being told that it was being done incorrectly and we need to change the way we are doing the cash sheet. Then if it was still not completed correctly we should be written up

The Chief Deputy for the Henry County Treasurer has been doing this job for over thirty years and prides herself in doing it correctly, you can check that by seeing how many times the Treasurer's office has been written up. I would think it would be a common courtesy to explain to someone the proper procedure and give them the opportunity to correct any changes in that procedure. Most importantly there is no money missing and never has been for more than thirty years and more probably much longer than that.

Description of Corrective Action Plan

Went through the 2014 cashbook and accounted for the differences. Then made a list and the list was given to the State Board of Accounts.

Anticipated Completion Date

Have already corrected CAR-1 and given to the State Board of Accounts. We have immediately accounted for the differences since this office prides itself in not only being correct but correcting any deficiencies immediately.

Byron Gene Bundy Jr

Byron Gene Bundy Jr.

Henry County Treasurer

Title

1-20-17

Date

COUNTY TREASURER
HENRY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 25, 2017, with Cindy Crandall, Chief Deputy of the Treasurer; Bruce (Butch) Baker, County Commissioner; Richard Bouslog, County Council member; and Nathan S. LaMar, President of the County Council.

The updated contents of this report were discussed on June 14, 2018, with Richard McCorkle, County Sheriff; Patricia A. French, County Auditor; Cheryl Scales, Chief Deputy of the County Auditor; Bruce (Butch) Baker, President of the Board of County Commissioners; Rebecca Baker, Matron of the County Sheriff.

COUNTY SHERIFF
HENRY COUNTY

COUNTY SHERIFF
HENRY COUNTY
FEDERAL FINDING

FINDING 2014-002

Subject: Financial Reporting
Audit Findings: Material Weakness, Noncompliance

Condition

The County's financial statement contained errors and did not properly reflect the financial activity of some of the offices of the County. The CAR-1 reports of the following offices contained the following errors in their CAR-1 report submitted to the County Auditor's office to be included in the County's 2014 Annual Financial Report, which is used to compile the County's financial statement.

County Treasurer's office - the activity of some excise tax transactions in the County Treasurer's office in the amount of \$2,108,901 were excluded.

County Redevelopment Commission's office - \$146,247 in receipts, \$144,847 in disbursements, and \$1,400 from the ending balance of the County Redevelopment Commission's office were excluded.

County Sheriff's office - a check that was voided and subsequently posted as a receipt in the amount of \$144,875 was erroneously included.

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

Criteria

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

"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 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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."

COUNTY SHERIFF
HENRY COUNTY
FEDERAL FINDING
(Continued)

Cause

Management of the County offices had not established a proper system of internal control to ensure that all financial activity of the County offices were properly reported to the County Auditor's office to be included in the County's Annual Financial Report and financial statement.

Effect

The failure to establish an internal control system resulted in improper reporting in the County's Annual Financial Report and financial statement.

Views of Responsible Officials

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

FINDING 2014-003

Subject: Equitable Sharing Program - Level of Effort, Suspension and Debarment

Federal Agency: Department of Justice

Federal Program: Equitable Sharing Program

CFDA Number: 16.922

Federal Award Number and Year (or Other Identifying Number): IN0330000-2014

Pass-Through Entity: Direct Grant

Compliance Requirements: Matching, Level of Effort, Earmarking; Procurement
and Suspension and Debarment

Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Matching, Level of Effort, Earmarking and Procurement and Suspension and Debarment.

Level of Effort

The County had one employee primarily responsible for monitoring compliance with Level of Effort requirements. There was no segregation of duties documented, such as an oversight, review or approval process, or other compensating control.

Suspension and Debarment

The County had one employee primarily responsible for verifying that entities were not suspended or debarred when entering into covered transactions. There was no segregation of duties, such as an oversight, review or approval process, or other compensating control.

Context

The lack of internal controls was a systemic problem throughout the audit period affecting the grant award listed above.

COUNTY SHERIFF
HENRY COUNTY
FEDERAL FINDING
(Continued)

Criteria

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. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

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

FINDING 2014-004

Subject: Equitable Sharing Program - Activities Allowed or Unallowed
Federal Agency: Department of Justice
Federal Program: Equitable Sharing Program
CFDA Number: 16.922
Federal Award Number and Year (or Other Identifying Number): IN0330000-2014
Pass-Through Entity: Direct Grant
Compliance Requirement: Activities Allowed or Unallowed
Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed compliance requirement. Grant expenditures were reviewed by the department head and the Board of County Commissioners; however, the controls in place did not detect the following errors:

COUNTY SHERIFF
HENRY COUNTY
FEDERAL FINDING
(Continued)

The County purchased items for other law enforcement agencies participating in the Pro-Active Criminal Enforcement (PACE) team in the amount of \$35,918.08, which was impermissible after July 2014.

The County paid from program funds the higher salary and fringe benefits of an officer assigned to the PACE team, rather than the lesser salary and fringe benefit costs of the officer hired to backfill the PACE team officer's regular position. We consider the difference in personnel costs of \$1,905.80 to be questioned costs.

Context

The lack of internal controls and the personnel costs incorrectly paid were systemic problems throughout the audit period. The impermissible items purchased for other law enforcement agencies was a systemic problem after July 2014.

Criteria

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 U.S. Department of Justice's *Guide to Equitable Sharing for State and Local Law Enforcement Agencies* pp. 17-22 states in part:

"Shared funds may be used for any permissible agency expenditure and may be used by both sworn and non-sworn law enforcement personnel, except as noted in salaries. The fact that shared property was forfeited by a particular unit or as a result of a particular federal violation does not limit its use to purchases only for that unit or to further investigations only for that particular federal violation. If an agency wishes to support a multi-agency expenditure, such as a new payroll system or city municipal building, with a non-law enforcement agency, the law enforcement agency's costs based on its use may be calculated on a pro-rata basis.

1. **Permissible uses** . . .

k. Transfers to other law enforcement agencies—cash transfers of shared funds from one state or local law enforcement agency to another. In order to receive a cash transfer of shared funds, the law enforcement agency must be compliant with the Agreement, Certification, and Audit provisions of this *Guide* (see Section X). All cash transfers must be used in accordance with the permissible use provisions of this *Guide*.

COUNTY SHERIFF
HENRY COUNTY
FEDERAL FINDING
(Continued)

The agency transferring funds is responsible for verifying that the recipient agency is eligible to receive sharing. The transfer must be reported on the Equitable Sharing Agreement and Certification form filed by both the transferring and recipient agencies. Transferring agencies must verify the recipient agency's compliance at the time of transfer on the agency compliance list found on AFMLS' public website. . . .

2. Impermissible uses . . .

h. Purchase of items for other law enforcement agencies – Shared funds may not be used to purchase equipment or other permissible items for other law enforcement agencies. To ensure proper tracking and accounting of funds, agencies wishing to support other participating law enforcement agencies must transfer the cash

required for such purchases to the recipient law enforcement agency. The recipient law enforcement agency must report the receipt of funds and the expenditure on its annual Equitable Sharing Agreement and Certification form. See Section V.B.1.k for inter-agency transfer of funds. . . .

3. Salaries

Equitable sharing funds may not be used to pay the salaries and benefits of sworn or non-sworn law enforcement personnel. The purpose of this rule is to protect the integrity of the Asset Forfeiture and Equitable Sharing Programs so that the prospect of receiving equitable sharing funds does not influence, or appear to influence, law enforcement decisions.

Exceptions: Equitable sharing funds may be used to pay the salaries and benefits of current law enforcement officers and personnel in the limited situations listed below.

Task force agencies may only pay salaries as a match to a federal grant or officer overtime. To avoid a conflict of interest, at no time can a task force member's full salary be paid with equitable sharing funds.

- (1) **Matching federal grants**—Shared funds may be used to pay the match requirement for the salaries and benefits of current sworn and non-sworn law enforcement personnel funded by federal grant programs.
- (2) **Overtime of officers and investigators**—Shared funds may be used to pay the overtime and benefits of current sworn and non-sworn law enforcement personnel involved in law enforcement operations.
- (3) **Salary of an officer hired to replace an officer assigned to a task force**—Shared funds may be used to pay the salary and benefits of current, sworn law enforcement officers hired to fill vacancies created when a law enforcement agency assigns officers to a task force. The replacement officer cannot engage in the seizure of assets or narcotics law enforcement as a principal duty. A principal duty is a duty that the officer is expected to perform regularly.

COUNTY SHERIFF
HENRY COUNTY
FEDERAL FINDING
(Continued)

In order to pay the replacement officer's salary with equitably shared funds, the task force to which the agency assigned an officer must be a law enforcement entity constituted under federal, state, or local law that is primarily engaged in specific and targeted law enforcement activities involving more than one law enforcement agency. In addition, the chief law enforcement officer of the agency assigning an officer must not maintain direct day-to-day operational control of the task force although he or she may participate in the policy-level control of such task force.

When a law enforcement agency has assigned an officer and paid for the replacement as specified above, and it becomes necessary to return the officer from the task force, the law enforcement agency may continue to use forfeited funds to pay for the salary and benefits of the replacement officer for a period not to exceed six months. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. The failure to comply with the compliance requirement could have resulted in the loss of federal funds to the County.

Questioned Costs

Known questioned costs of \$37,823.88 were identified, as detailed in the *Condition*.

Recommendation

We recommended that the County's management establish controls related to the grant agreement and the Activities Allowed or Unallowed compliance requirement.

Views of Responsible Officials

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

FINDING 2014-005

Subject: Equitable Sharing Program - Reporting

Federal Agency: Department of Justice

Federal Program: Equitable Sharing Program

CFDA Number: 16.922

Federal Award Number and Year (or Other Identifying Number): IN0330000-2014

Pass-Through Entity: Direct Grant

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

COUNTY SHERIFF
HENRY COUNTY
FEDERAL FINDING
(Continued)

Condition

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. One individual was responsible for preparing required reports. The reports were reviewed and signed by a second individual; however, the review did not detect the following errors:

The Equitable Sharing Agreement and Certification report submitted in 2014 for the year 2013 contained the following errors:

1. The Agency Current FY Budget amount reported was understated by \$4,889,364.
2. The Federal Sharing Funds received was understated by \$11,873.
3. No interest income was reported.

Context

The internal control and noncompliance issues were systemic, occurring throughout the audit period.

Criteria

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. . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following . . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. The failure to comply with the compliance requirement could have resulted in the loss of federal funds to the County.

Questioned Costs

There were no questioned costs identified.

COUNTY SHERIFF
HENRY COUNTY
FEDERAL FINDING
(Continued)

Recommendation

We recommended that the County's management establish controls related to the grant agreement and the Reporting compliance requirement.

Views of Responsible Officials

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

FINDING 2014-006

Subject: Equitable Sharing Program - Subrecipient Monitoring
Federal Agency: Department of Justice
Federal Program: Equitable Sharing Program
CFDA Number: 16.922
Federal Award Number and Year (or Other Identifying Number): IN0330000-2014
Compliance Requirement: Subrecipient Monitoring
Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the Subrecipient Monitoring compliance requirement.

A portion of equitable sharing funds received by the County was transferred to other law enforcement agencies who participated on the PACE team. The County did not comply with Subrecipient Monitoring requirements to ensure that the law enforcement agencies complied with federal requirements. The County reviewed reimbursement requests submitted by the law enforcement agencies, but the supporting documentation presented was not sufficient to ensure that the law enforcement agencies complied with the program requirements. No evidence of site visits or other monitoring procedures performed was presented for audit.

Funds transferred to other law enforcement agencies were used for the following unallowable purposes:

1. A stipend was paid to a PACE team officer in 2014 above the individual's regular salary in the amount of \$2,600.
2. Salary and fringe benefits in the amount of \$81,277.17 were paid to an officer assigned to the PACE team, without backfilling the position.

Context

The internal control and noncompliance issues were systemic, occurring throughout the audit period.

COUNTY SHERIFF
HENRY COUNTY
FEDERAL FINDING
(Continued)

Criteria

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. . . ."

2 CFR 200.331 states in part:

"All pass-through entities must: . . .

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. The failure to comply with the compliance requirement could have resulted in the loss of federal funds to the County.

Questioned Costs

Known questioned costs of \$83,877.17 were identified as detailed in the *Condition*.

Recommendation

We recommended that the County's management establish controls related to the grant agreement and the Subrecipient Monitoring compliance requirement.

Views of Responsible Officials

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

FINDING 2014-007

Subject: Equitable Sharing Program - Special Tests and Provisions
Federal Agency: Department of Justice
Federal Program: Equitable Sharing Program
CFDA Number: 16.922
Federal Award Number and Year (or Other Identifying Number): IN0330000-2014
Pass-Through Entity: Direct Grant
Compliance Requirement: Special Tests and Provisions
Audit Findings: Material Weakness, Modified Opinion

COUNTY SHERIFF
HENRY COUNTY
FEDERAL FINDING
(Continued)

Condition

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions compliance requirement.

1. The County did not maintain separate revenue accounts or accounting codes to be used solely for Equitable Sharing Program funds.
2. Equitable Sharing Program funds were commingled with funds from other sources.
3. Interest income earned on Equitable Sharing program funds was not receipted into the funds used to account for the shared funds.
4. A log and copies of all DAG-71 forms forwarded to the Department of Justice was not maintained, or updated when e-share notifications were received.

Context

The internal control and noncompliance issues were systemic, occurring throughout the audit period.

Criteria

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 U.S. Department of Justice's *Guide to Equitable Sharing for State and Local Law Enforcement Agencies* p. 26 states in part:

"The state or local participating law enforcement agency must:

1. Establish a separate revenue account or accounting code through the agency's finance department for the proceeds from the Department of Justice Equitable Sharing Program. This account or accounting code will be used solely for funds from the Department of Justice Equitable Sharing Program. No other funds may be included in this account or with this accounting code. . . .
2. Not commingle Department of Justice equitable sharing funds with funds from any other source. Corrective measures must be taken if this occurs.
3. Deposit any interest income earned on equitably shared funds in the same revenue account or under the accounting code established solely for the shared funds.
4. Maintain a log and copies of all Forms DAG-71 forwarded to the Department of Justice. A consecutive numbering system should be used for control purposes. The log should contain seizure type (property or currency), amount, share amount requested, amount received, and date received.

COUNTY SHERIFF
HENRY COUNTY
FEDERAL FINDING
(Continued)

5. Update the log when an E-Share notification is received. The amount received may differ from the amount requested. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. The failure to comply with the compliance requirements could have resulted in the loss of federal funds to the County.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls related to the grant agreement and the Special Tests and Provisions compliance requirements.

Views of Responsible Officials

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



OFFICE OF HENRY COUNTY SHERIFF

127 North 12th Street
New Castle, Indiana 47362

CORRECTIVE ACTION PLAN

FINDING 2014-002 Audit Contact Person Responsible for Corrective Action:

Ric McCorkle Contact Phone Number: (765) 521-7033

Views of Responsible Official: We concur with findings. We reviewed the cashbook entries for March 25, 2014 and viewed the receipt # 331425 reflecting the amount of \$144,875 and a check written, 15032, on 3/31/2014 for \$144,875. On April 10, 2014, an adjustment was made for \$144,875 on adjustment receipt 0. On 4/14/14 the amounts of \$4,346.04 was dispersed on check number 15044, \$140,494.74 on check number 15046 and \$34.22 on check number 15047 dated 4/25/14.

Description of Corrective Action Plan: These transactions duplicated the receipts and disbursements for the FY2014. We have implemented a plan for year end prior to reporting the balances on the CAR Report submitted to the Auditor of Henry County to compare the receipts and disbursements in our software against the bank statements to insure that they balance with each report.

Anticipated Completion Date: Annually on or before January 31

Sheriff Henry County



RIC McCORKLE
SHERIFF

OFFICE OF HENRY COUNTY SHERIFF

127 North 12th Street New Castle, IN 47362

Law Enforcement Division

112 S Main Street, New Castle, IN 47362

May 31, 2018

CORRECTIVE ACTION PLAN

FINDING 2014-003

Contact Person Responsible for Corrective Action: Rebecca Baker
Contact Phone Number: 765-521-7033

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The sheriff's matron attended US DOJ financial training and has documented work instructions to insure any funds sent to participating agencies are compliant within the Asset Forfeiture Programs located at <https://systems.forfeiture.gov/EquitableSharing> and locate the agency. The compliance status will be printed and put with the claim sent to the Henry County Auditor for payment.

Anticipated Completion Date: 06/01/2018

FINDING 2014-004

Contact Person Responsible for Corrective Action: Rebecca Baker
Contact Phone Number: 765-521-7033

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Documented training and work instructions are in place to review participating agencies expenditures on a monthly basis and review the current policy in effect to insure any changes are documented.

Anticipated Completion Date: 06/01/2018

FINDING 2014-005

Contact Person Responsible for Corrective Action: Rebecca Baker, Sheriff Ric McCorkle
Contact Phone Number: 765-521-7033

Views of Responsible Official: *We concur with the finding.*

Description of Corrective Action Plan:

FY Budgets shall be reviewed by the sheriff and the matron by obtaining a copy of the final, advertised budgets from the auditor before reporting the ESAC annually. A monthly audit of the separate fund housing federal funds shall be completed and approved by the sheriff. The treasurer opened a separate bank account for US DOJ funds and the interest shall be reviewed monthly with the auditor and immediate corrective action will be taken if errors are found.

Anticipated Completion Date: 06/01/2018

FINDING 2014-006

Contact Person Responsible for Corrective Action: Rebecca Baker
Contact Phone Number: 765-521-7033

Views of Responsible Official: *We concur with the finding*

Description of Corrective Action Plan:

Proof of compliance shall be required before any disbursement of funds are shared with participating agencies. A review of participating agencies shall be audited on a monthly basis and corrective action shall be taken immediately with reimbursement to the forfeiture fund housed in Henry County if any non-compliance is found.

Anticipated Completion Date: 06/01/2018

FINDING 2014-007

Contact Person Responsible for Corrective Action: Rebecca Baker
Contact Phone Number: 765-521-7033

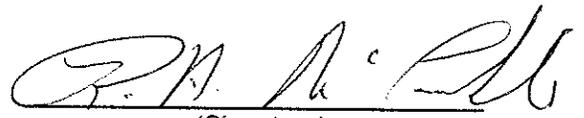
Views of Responsible Official: *We concur with the finding.*

Description of Corrective Action Plan:

The Henry County Commissioners established a new county ordinance for separate funds. The Henry County Treasurer opened a separate bank account to store US DOJ Federal Forfeiture Funds for interest

that shall be recorded in the fund monthly. A log is now kept electronically at <https://systems.forfeiture.gov/AFMSPortal> and can be provided.

Anticipated Completion Date: 06/01/2018



(Signature)

Sheriff

(Title)

5/31/18

(Date)

COUNTY SHERIFF
HENRY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 25, 2017, with Bruce (Butch) Baker, former County Sheriff and current County Commissioner; Richard Bouslog, County Council member; and Nathan S. LaMar, President of the County Council.

The updated contents of this report were discussed on June 14, 2018, with Richard McCorkle, County Sheriff; Patricia A. French, County Auditor; Cheryl Scales, Chief Deputy of the County Auditor; Bruce (Butch) Baker, President of the Board of County Commissioners; Rebecca Baker, Matron of the County Sheriff.

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NEW CASTLE-HENRY COUNTY ECONOMIC DEVELOPMENT CORPORATION
HENRY COUNTY

NEW CASTLE-HENRY COUNTY ECONOMIC DEVELOPMENT CORPORATION
HENRY COUNTY
FEDERAL FINDING

FINDING 2014-002

Subject: Financial Reporting
Audit Findings: Material Weakness, Noncompliance

Condition

The County's financial statement contained errors and did not properly reflect the financial activity of some of the offices of the County. The CAR-1 reports of the following offices contained the following errors in their CAR-1 report submitted to the County Auditor's office to be included in the County's 2014 Annual Financial Report, which is used to compile the County's financial statement.

County Treasurer's office - the activity of some excise tax transactions in the County Treasurer's office in the amount of \$2,108,901 were excluded.

County Redevelopment Commission's office - \$146,247 in receipts, \$144,847 in disbursements, and \$1,400 from the ending balance of the County Redevelopment Commission's office were excluded.

County Sheriff's office - a check that was voided and subsequently posted as a receipt in the amount of \$144,875 was erroneously included.

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

Criteria

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

"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.

NEW CASTLE-HENRY COUNTY ECONOMIC DEVELOPMENT CORPORATION
HENRY COUNTY
FEDERAL FINDING
(Continued)

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

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

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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."

Cause

Management of the County offices had not established a proper system of internal control to ensure that all financial activity of the County offices were properly reported to the County Auditor's office to be included in the County's Annual Financial Report and financial statement.

Effect

The failure to establish an internal control system resulted in improper reporting in the County's Annual Financial Report and financial statement.

Views of Responsible Officials

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



HENRY COUNTY REDEVELOPMENT COMMISSION

CORRECTIVE ACTION PLAN

FINDING 2014-002 Audit Contact Person Responsible for Corrective Action: Corey Murphy

Contact Phone Number: (765) 521-7402

Views of Responsible Official: We concur with findings.

Description of Corrective Action Plan: The receipts and expenditures were pass through professional fees related to a new bond issue dated September 29, 2014. Our office will coordinate with the Redevelopment Commission's Bond Trustee to confirm complete and accurate reporting for Henry County's CAR-1.

Anticipated Completion Date: Annually on or before January 31.

Corey J. Murphy
(Signature)
RDC Staff
(Title)
1/19/17
(Date)

NEW CASTLE-HENRY COUNTY ECONOMIC DEVELOPMENT CORPORATION
HENRY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 25, 2017, with Corey Murphy, President of the New Castle-Henry County Economic Development Corporation; Bruce (Butch) Baker, County Commissioner; Richard Bouslog, County Council member; and Nathan S. LaMar, President of the County Council.

The updated contents of this report were discussed on June 14, 2018, with Richard McCorkle, County Sheriff; Patricia A. French, County Auditor; Cheryl Scales, Chief Deputy of the County Auditor; Bruce (Butch) Baker, President of the Board of County Commissioners; Rebecca Baker, Matron of the County Sheriff.