

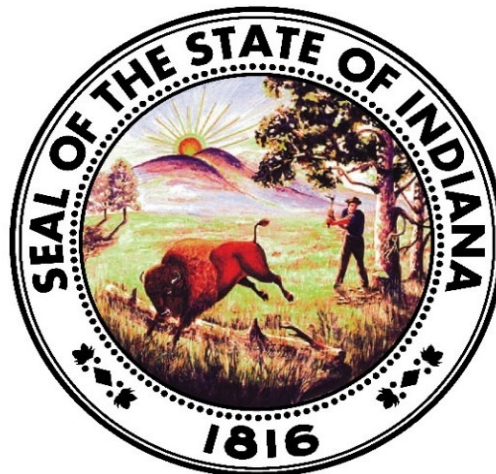
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

FEDERAL COMPLIANCE AUDIT REPORT

OF

HENDRICKS COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED

12/28/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Nancy L. Marsh	01-01-22 to 12-31-23
County Treasurer	Shawn Shelly Dawn Mayhood	01-01-22 to 06-10-22 06-11-22 to 12-31-23
Clerk of the Circuit Court	Marjorie Pike	01-01-22 to 12-31-23
County Treasurer	Shawn Shelly	01-01-22 to 12-31-23
County Sheriff	Brett Clark Henry Sadler III	01-01-22 to 12-31-22 01-01-23 to 12-31-23
County Recorder	Theresa D. Lynch Laura Herzog	01-01-22 to 12-31-22 01-01-23 to 12-31-23
County Assessor	Nicole Lawson	01-01-22 to 12-31-23
County Surveyor	David Gaston	01-01-22 to 12-31-23
County Prosecutor	Loren Delp	01-01-22 to 12-31-23
County Coroner	Rick Morphew	01-01-22 to 12-31-23
President of the Board of County Commissioners	Phyllis A. Palmer	01-01-22 to 12-31-23
President of the Board of County Council	David Wyeth Eric Wathen	01-01-22 to 12-31-22 01-01-23 to 12-31-23



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

TO: THE OFFICIALS OF HENDRICKS 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 statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hendricks County (County), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 5, 2023. A qualified opinion was issued for the County's business-type activities and for the Hendricks County Regional Sewer District (District), a major fund of the County and of the County's business-type activities, due to the County not maintaining appropriate accounting records related to the capital asset activity for the District for the year ended December 31, 2022, as further described in that report. Our report includes a reference to other auditors who audited the financial statements of Hendricks Regional Health, a component unit of the County, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a 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 2022-001 and 2022-002, 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
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are 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 financial statements. 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 2022-001 and 2022-002.

Hendricks County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The County's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on the response.

Purpose of This Report

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



Beth Kelley, CPA, CFE
Deputy State Examiner

December 5, 2023



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 HENDRICKS COUNTY, INDIANA

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Hendricks County's (County) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2022. 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.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

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)

Other Matter - Federal Expenditures Not Included in the Compliance Audit

The County's basic financial statements include the operations of Hendricks Regional Health, Avon-Washington Township Public Library, Coatesville-Clay Township Public Library, and Hendricks County Solid Waste District, component units of the County. Expenditures of federal awards for these component units, if any, are not included in the County's schedule of expenditures of federal awards during the year ended December 31, 2022. Our compliance audit, described in the *Opinion on the Major Federal Program*, did not include the operations of Hendricks Regional Health, Avon-Washington Township Public Library, Coatesville-Clay Township Public Library, and Hendricks County Solid Waste District as component units are legally separate entities of the County and are subject to separate audits, as applicable in accordance with Indiana state statutes or regulations, and the audit requirements of the Uniform Guidance.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

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)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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 a 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 a 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon, dated December 5, 2023, which contained qualified and unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 basic financial statements. 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, 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 basic financial statements as a whole.



Beth Kelley, CPA, CFE
Deputy State Examiner

December 5, 2023

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.

HENDRICKS COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2022

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listing Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Housing and Urban Development</u>					
COVID-19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii 8157 - CDBG Disabilities	Indiana Office of Community and Rural Affairs	14.228	B-20-DW-18-0001	\$ 87,458	\$ 87,458
Total - Department of Housing and Urban Development				<u>87,458</u>	<u>87,458</u>
<u>Department of Justice</u>					
COVID-19 - Coronavirus Emergency Supplemental Funding Program 8901 - CESFP	Indiana Criminal Justice Institute	16.034	Contract 44561	-	67,865
Crime Victim Assistance 8100 - Victim's Assistance 8100 - Victim's Assistance	Indiana Criminal Justice Institute	16.575	2018-V2-GX-0014 2020-V2-GX-00 2019-V2-GX-0014 2020-V2-GX-00	-	65,257 58,183
Total - Crime Victim Assistance				-	<u>123,440</u>
Violence Against Women Formula Grants 8102 - STOP	Indiana Criminal Justice Institute	16.588	2020-WF-AX-0031	-	54,750
Equitable Sharing Program 8127 - Sheriff's Equitable Sharing 8107 - Equitable Sharing	Direct Grant	16.922	IIN0320000 NCIC-IN0320000	-	6,354 6,121
Total - Equitable Sharing Program				-	<u>12,475</u>
Total - Department of Justice				-	<u>258,530</u>
<u>Department of Transportation</u>					
Federal Transit Cluster Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs 8155 - LINK Capital	Indiana Department of Transportation	20.526	FY2022	8,552	8,552
Total - Federal Transit Cluster				<u>8,552</u>	<u>8,552</u>
Highway Planning and Construction Cluster Highway Planning and Construction 8160 - Bridge Inspection 8160 - Bridge Inspection	Indiana Department of Transportation	20.205	DES #1500241 DES #2002435	-	3,987 138,156
Total - Highway Planning and Construction				-	<u>142,143</u>
Total - Highway Planning and Construction Cluster				-	<u>142,143</u>
COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program 8106 - LINK Operating	Indiana Department of Transportation	20.509	FY2022	811,384	811,384
Interagency Hazardous Materials Public Sector Training and Planning Grants 8164 - EMPG Competitive	Indiana Department of Homeland Security	20.703	FY2022	-	4,250
Total - Department of Transportation				<u>819,936</u>	<u>966,329</u>

HENDRICKS COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2022

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listing Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds 8950 - ARP Coronavirus Local Fis Rec	Direct Grant	21.027	FY2022	-	4,302,699
Total - Department of the Treasury				-	4,302,699
<u>Department of Health and Human Services</u>					
Medical Reserve Corps Small Grant Program	Indiana Department of Homeland Security/National Association of County and City Health Officials	93.008	MRC 08 119301 MRCSG061001-0 MRC 21-1193	-	1,922
8138 - Medical Reserve Corps				-	9,490
8135 - CBA MRC13-1193				-	-
Total - Medical Reserve Corps Small Grant Program				-	11,412
Public Health Emergency Preparedness	Indiana State Department of Health	93.069	FY2022 FY2022	-	30,791
8115 - Base				-	42,436
8116 - CRI				-	-
Total - Public Health Emergency Preparedness				-	73,227
COVID-19 - Immunization Cooperative Agreements	Indiana State Department of Health	93.268	Contract 53342	-	227,671
8906 - Immun & Vacc for Child Agreement				-	-
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Indiana State Department of Health	93.323	Contract 55455	-	150,000
8904 - CARES				-	-
Child Support Enforcement	Indiana Department of Child Services	93.563	2021-2022 2022-2023 FY2022 FY2022 FY2022 FY2022	-	542,282
1001 - Indirect/Direct Reimbursement				-	83,151
8897 - Pros IV-D Incent >99				-	6,087
8899 - Clerk IV-D Incent >99				-	27,600
8895 - Title IV-D Incentive				-	163
1119 - Clerk's Records Perpetuation				-	-
Total - Child Support Enforcement				-	659,283
Total - Department of Health and Human Services				-	1,121,593
<u>Department of Homeland Security</u>					
Emergency Management Performance Grants	Indiana Department of Homeland Security	97.042	EM2020-EP-001	-	93,129
1001 - EMPG				-	-
Homeland Security Grant Program	Indiana Department of Homeland Security	97.067	FY2022	-	109,851
8166 - SHSP				-	-
Total - Department of Homeland Security				-	202,980
Total federal awards expended				<u>\$ 907,394</u>	<u>\$ 6,939,589</u>

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

HENDRICKS 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, 2022. 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.

HENDRICKS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:

Name of Opinion Unit	Opinion Issued
Governmental activities	Unmodified
Business-type activities	Qualified
Aggregate Discretely Presented Component Units	Unmodified
County General Fund	Unmodified
Jail Building Corporation Fund	Unmodified
ARP Coronavirus Local Fiscal Rescue Fund	Unmodified
Hendricks County Regional Sewer District	Qualified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting:

Material weaknesses identified?	yes
Significant deficiencies identified?	none reported

Noncompliance material to financial statements 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:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Unmodified

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

Auditee qualified as low-risk auditee? no

HENDRICKS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II - Financial Statement Findings

FINDING 2022-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2021-001.

Condition and Context

All financial activity of the County was provided to a third-party compiler. The compiler, utilizing the data provided, prepared the County's financial statements and notes to the financial statements (notes). Once prepared, the financial statements and notes were provided to the County for review and approval. The County's management reviewed the compiled financial statements and notes for accuracy and completeness; however, the system of internal controls over the review of the statements and notes as established was not operating effectively to ensure errors were detected and corrected prior to being presented for audit.

Due to the lack of effective internal controls, the financial statements and notes presented for audit included the following errors:

1. The Unified Local Income Taxes (LIT) are derived tax revenues imposed by a county and collected by the State of Indiana. All LIT revenues collected by the state are deposited into a county's LIT trust account, which are then distributed by the county to the appropriate LIT recipients of that county. A county fiscal body may adopt and impose a tax rate for public service answering points (PSAP), the revenue of which is derived tax revenues. The revenue generated by the tax rate for a PSAP imposed by a county are included in the deposit by the state into the county's LIT trust account. The county then distributes the LIT dedicated to PSAP accordingly to the appropriate LIT recipients. This distribution by the county would include the county's own portion of the revenue as the county is an intended recipient of the PSAP tax revenue. The county's portion of the revenue is to be maintained in a separate dedicated county fund that is to be used only for paying for a PSAP in the county.

The County had not established a separate dedicated county fund to account for its portion of the PSAP tax revenue and to pay for the PSAP located in the County. Rather, the County retained its portion within the County's LIT trust account; therefore, all activity related to the PSAP was improperly included within a custodial fund on the County's financial statements originally presented for audit. The activity for the County's portion of the LIT dedicated to PSAP should have been maintained within a separate fund, and as such, presented as a nonmajor special revenue fund.

2. A note to the financial statements describing the County's tax abatements and potential effect on the financial statements of the County was not presented for audit.

Adjustments were proposed, accepted by the County, and made to the financial statements and notes and are materially correct as presented.

HENDRICKS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

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](#)."

Indiana Code 6-3.6-6-2.5(c) states:

"The revenue generated by a tax rate imposed under this section must be distributed directly to the county before the remainder of the expenditure rate revenue is distributed. The revenue shall be maintained in a separate dedicated county fund and used only for paying for a PSAP in the county."

Indiana Code 6-3.6-6-8(b) states:

"Except as provided in subsection (c), the amount of the certified distribution that is allocated to public safety purposes, and after making allocations under [IC 6-3.6-11](#), shall be allocated to the county and to each municipality in the county that is carrying out or providing at least one (1) public safety purpose. For purposes of this subsection, in the case of a consolidated city, the total property taxes imposed by the consolidated city include the property taxes imposed by the consolidated city and all special taxing districts (except for a public library district, a public transportation corporation, and a health and hospital corporation), and all special service districts. The amount allocated under this subsection to a county or municipality is equal to the result of:

- (1) the amount of the remaining certified distribution that is allocated to public safety purposes; multiplied by
- (2) a fraction equal to:

(A) in the case of a county that initially imposed a rate for public safety under [IC 6-3.5-6](#) (repealed), the result of the total property taxes imposed in the county by the county or municipality for the calendar year preceding the distribution year, divided by the sum of the total property taxes imposed in the county by the county and each municipality in the county that is entitled to a distribution under this section for that calendar year; or

(B) in the case of a county that initially imposed a rate for public safety under [IC 6-3.5-1.1](#) (repealed) or a county that did not impose a rate for public safety under either [IC 6-3.5-1.1](#) (repealed) or [IC 6-3.5-6](#) (repealed), the result of the attributed allocation amount of the county or municipality for the calendar year preceding the distribution year, divided by the sum of the attributed allocation amounts of the county and each municipality in the county that is entitled to a distribution under this section for that calendar year."

HENDRICKS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. . . ."

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 had not established a separate fund to maintain and account for the activity of the County's portion of the revenue dedicated to PSAP as required. The County originally utilized an incorrect fund to account for these revenues. The system of internal controls over the review of the County's financial statements was not properly implemented, nor was it operating effectively to ensure the activity for the revenue generated by the PSAP tax rate was appropriately accounted for and reported. In addition, a required note to the financial statements describing the County's tax abatements and the potential effect of the tax abatements on the financial statements was omitted due to an oversight. The omission was not detected by management of the County during their review of the financial statements prior to presenting the statements for audit.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, material misstatements remained undetected, and the financial statements and notes presented for audit included 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 2022-002

Subject: Financial Transactions and Reporting - Hendricks County
Regional Sewer District - Capital Assets
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2021-002.

HENDRICKS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

An effective internal control system was not in place at the County to prevent, or detect and correct, potential material misstatements in the recording and reporting of capital assets for the Hendricks County Regional Sewer District (District). The District is a blended component unit of the County presented as a major enterprise fund in the County's financial statements. The District is required to maintain a complete detailed listing of capital assets owned. The District is also required to conduct a physical inventory at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. As such, the activities and balances of the District's capital assets owned should be reported on the County's financial statements.

The District maintains a capital asset listing, which consists of sewer distribution lines, manholes, and lift stations that have been contributed to the District since its inception from developer projects within the District. This information is retained within the Geographic Information System (GIS) database. Utilizing the data abstracted from the GIS system, the District and the County have worked in conjunction with their third-party compiler to prepare a current, up-to-date capital assets inventory for the District. The current estimated replacement costs, as well as factoring to determine estimated historical costs for the respective assets is being used to compute the values of the assets in order to verify account balances. However, the information presented for audit only contained the records and corresponding values through August 2021. Neither quantifiable additions or deletions for capital assets nor accumulated depreciation were presented for audit for the period of September 2021 through December 2022. As a result, we were unable to determine if the amounts related to capital assets for the business-type activities and the major enterprise fund required any material adjustments.

Criteria

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](#)."

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. . . ."

"The Green Book addresses the design of appropriate types of control activities and provides a list of the common control activity categories. The list is meant only to illustrate the range and variety of control activities and is not all inclusive. An overview of one common control activity category included in the list states the following:

HENDRICKS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."

Governmental Accounting Standards Board Codification (GASB Cod.) § 1400.102:

"Capital assets should be reported at historical cost. The cost of a capital asset should include ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition—such as freight and transportation charges, site preparation costs, and professional fees. Interest cost incurred before the end of a construction period should not be capitalized as part of the asset's historical cost. Donated capital assets should be reported at their acquisition value plus ancillary charges, if any. [GASBS 34, ¶18, as amended by GASBS 72, ¶79 and GASBS 89, ¶4; GASBS 72, ¶68; GASBS 89, ¶4]"

Every unit must have a complete detail listing of capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines 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

Embedded within a properly designed and implemented internal controls system should be internal controls consisting of policies and procedures. Policies reflect County management of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies. The County did not have sufficient policies and procedures in place to ensure that the District was properly and consistently maintaining a listing of capital assets, as well as completing a physical inventory as required to verify account balances were appropriately carried in the accounting records.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal controls system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. Due to the failure of properly designing and implementing an internal controls system, the District's detailed listing of capital assets was incomplete, and, therefore, any required adjustments related to the capital asset amounts presented for the District, in the County's financial statements, could not be determined. As a result, a qualified opinion was issued for both the business-type activities and the major enterprise fund opinion units of the County as of and for the year ended December 31, 2022.

HENDRICKS 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.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

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AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the County. The documents are presented as intended by the County.



Hendricks County Auditor

Nancy L. Marsh
355 S Washington St #202
Danville, IN 46122-1759
317-745-9300
(Fax) 317-745-9389

October 5, 2023

SUMMARY SCHEDULE OF PRIOR AUDIT FINDING
Year Ended December 31, 2021
2021-001

TO: State Board of Accounts

Current Audit Period: January 1, 2022 - December 31, 2022
2021-001 - Material Weakness - Financial Reporting (Repeat Finding of 2020-001)

Hendricks County, Indiana, respectfully submits the following Summary of Prior Audit finding 2021-001 for the year ended December 31, 2021.

Fully Corrected: The County has implemented the recommendations for 2023 to provide a stronger partnership with our conversion and compilation vendor. The conversion from Cash Basis to Accrual by our third party vendor has been a work in progress. As we go forward, each year of understanding of the conversion between the vendor and the county grows significantly and we will continue to do our due diligence and ask our vendor to do everything they can to give specific attention to receivables, accruals, capital assets, and debt to allow us to conform with generally accepted accounting principles.

Sincerely yours,

Nancy L. Marsh
Hendricks County Auditor



Hendricks County Auditor

Nancy L. Marsh
355 S Washington St #202
Danville, IN 46122-1759
317-745-9300
(Fax) 317-745-9389

October 5, 2023

SUMMARY SCHEDULE OF PRIOR AUDIT FINDING
Year Ended December 31, 2021
2021-002

TO: State Board of Accounts

Current Audit Period: January 1, 2022 – December 31, 2022
2021-002 - Material Weakness – Record Maintenance (Repeat Finding of 2020-02)

Hendricks County, Indiana, respectfully submits the following Summary of Prior Audit finding 2021-002 for the year ended December 31, 2021.

Partially Corrected: The finding is a result of the private auditors not being able to substantiate the activities and balances of the capital assets in the Hendricks County Regional Sewer District as of and for the year ended December 31, 2021. The Regional Sewer Director had a substantial number of records but needed some guidance on how to record the assets in the proper form as miles of regional sewer lines were gifted to the county by the developer(s) of the projects located in the Regional Sewer Area. Through the efforts of the Regional Sewer Director, the GAAP Consulting Firm along with the assistance of the State Board of Accounts, the County has made great strides to complete the records and corresponding values, acceptable to the auditors, to provide standards and guidelines for record maintenance to provide an accurate value to the capital assets of the Hendricks County Regional Sewer District and expect to have the weakness corrected for the Year Ending December 31, 2023.

Sincerely yours,

Nancy L. Marsh
Hendricks County Auditor



Hendricks County Auditor

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Danville, IN 46122-1759
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October 5, 2023

SUMMARY SCHEDULE OF PRIOR AUDIT FINDING
Year Ended December 31, 2021
2021-003

TO: State Board of Accounts

Current Audit Period: January 1, 2022 - December 31, 2022
2021-003 - Significant Deficiency - Schedule of Expenditures of Federal Awards (SEFA Reporting)

Hendricks County, Indiana, respectfully submits the following Summary of Prior Audit finding 2021-003 for the year ended December 31, 2021.

Fully Corrected: In the instance of the cause of the Significant Deficiency, the county received the grant agreement officially identified with two CFDA numbers 93.323 and 21.019. Great care has always been taken by Hendricks County Auditor's Office to identify federal grants correctly and will continue to do so in the future with two levels of management reviewing the SEFA

Sincerely yours,

Nancy L. Marsh
Hendricks County Auditor



Hendricks County Auditor

Nancy L. Marsh
355 S Washington St #202
Danville, IN 46122-1759
317-745-9300
(Fax) 317-745-9389

October 5, 2023

SUMMARY SCHEDULE OF PRIOR AUDIT FINDING
Year Ended December 31, 2021
2021-004

TO: State Board of Accounts

Current Audit Period: January 1, 2022 – December 31, 2022
2021-004 – Coronavirus State and Local Fiscal Recovery Fund – Assistance Listing 21.027

Hendricks County, Indiana, respectfully submits the following Summary of Prior Audit finding 2021-004 for the year ended December 31, 2021.

Fully Corrected: Additional internal controls have been put in place for two levels of review of the report for accuracy of the information or inclusion of the appropriate key line items. While the report is prepared by the County Auditor, the reporting is in concert with the approval process of being recommended by the ARPA Planning Committee, approval by the Hendricks County Commissioners and appropriation by the Hendricks County additional appropriation process through our financial system. The SLFRF Expenditure Report is prepared using the appropriate report from the financial system. Two grant staff members provide support in providing documentation to each expenditure. The quarterly reports are submitted through the Federal Treasury system and are shared with the grant staff and Financial Administrator.

Sincerely yours,

Nancy L. Marsh
Hendricks County Auditor



Hendricks County Auditor

Nancy L. Marsh
355 S Washington St #202
Danville, IN 46122-1759
317-745-9300
(Fax) 317-745-9389

October 31, 2023

CORRECTIVE ACTION PLAN Year Ended December 31, 2022 2022-001

FINDING 2022-001

Finding Subject: Financial transactions and Reporting

Summary of Finding:

The County had not designed or implemented an effective system of internal controls to ensure that all financial transactions were properly reported in the financial statements, which resulted in material errors identified during the audit that required adjustment.

Contact Person Responsible for Corrective Action: Nancy L. Marsh

Contact Phone Number and Email Address: 317-745-9315; nmarsh@co.hendricks.in.us

Views of Responsible Officials: We concur with the finding.

Description of Correction Action Plan:

Hendricks County, Indiana, respectfully submits the following Corrective Action Plan 2022-001 for the year ended December 31, 2022.

Abatement Note:

The Abatement note was inadvertently left out of the 2022 compilation and when the omission was discovered, the abatement data was analyzed, and an abatement note was added to the 2022 Notes and will be in place in the future. I will review the 2022 Audit and be aware of State Board of Accounts Memos and utilize third party expertise in the GAAP field and train more staff. Anticipated Completion Date October 31, 2023.

Public Safety PSAP

Effective October 1, 2015 Hendricks County Council adopted a .10% PSAP Distribution for the sole purpose of funding the newly formed Hendricks County Communication Center. At that time, we

placed the revenue in fund 1235. In 2022 the Hendricks County Council split the existing .10% rate to .05% for PSAP Distribution and .05 for Public Safety Distribution effective in 2023. Upon receipt of the revenue, the Auditor's Office recognized Fund 1235 was for the LIT Dedicated to the PSAP distribution (Hendricks County Communication Center) and the Public Safety Distribution shared between Hendricks County and the Towns in Hendricks should be placed in 7331 LIT Public Safety for the Public Safety Distribution. These corrections were made by Financial Administrator, Tamela Mitchell on October 25, 2023.

Sincerely yours,

Nancy L. Marsh, Hendricks County Auditor



Hendricks County Auditor

Nancy L. Marsh
355 S Washington St #202
Danville, IN 46122-1759
317-745-9300
(Fax) 317-745-9389

October 31, 2023

CORRECTIVE ACTION PLAN
Year Ended December 31, 2022
2022-002

FINDING 2022-002

Finding Subject: Financial transactions and Reporting

Summary of Finding:

The County had not designed or implemented an effective system of internal controls to ensure that all financial transactions were properly reported in the financial statements, which resulted in material errors identified during the audit that required adjustment.

Contact Person Responsible for Corrective Action: Jim Mardis

Contact Phone Number and Email Address: 317-718-6038; jmardis@co.hendricks.in.us

Views of Responsible Officials: We concur with the finding.

Description of Correction Action Plan:

Hendricks County, Indiana, respectfully submits the following Corrective Action Plan 2022-001 for the year ended December 31, 2022.

Regional Sewer District:

Partially Corrected: The finding is a result of the private auditors not being able to substantiate the activities and balances of the capital assets in the Hendricks County Regional Sewer District as of and for the year ended December 31, 2021. The Regional Sewer Director had a substantial number of records but needed some guidance on how to record the assets in the proper form as miles of regional sewer lines were gifted to the county by the developer(s) of the projects located in the Regional Sewer Area. The Regional Sewer District Director maintains spreadsheets, GIS Data and their own files to record and has begun updating inventory. Through the efforts of the Regional Sewer Director, the GAAP Consulting Firm along with the assistance of the State Board of Accounts, the County has made great strides to complete the records and corresponding values, acceptable to the auditors, to provide standards and guidelines for record maintenance to provide an accurate value to the capital assets of the Hendricks County Regional Sewer District and expect to have the weakness corrected for the Year Ending December 31, 2023.

Sincerely yours,

Nancy L. Marsh, Hendricks County Auditor

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/>.