

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

HENDRICKS COUNTY, INDIANA

January 1, 2022 to December 31, 2022



**FILED**

01/03/2024



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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 Morpew	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	01-01-22 to 12-31-22



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF HENDRICKS COUNTY, INDIANA

This report is supplemental to the audit report of Hendricks County (County), for the period from January 1, 2022 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the County. It should be read in conjunction with the Financial Statements Audit Report of the County, which provides our opinions on the County's financial statements. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE  
Deputy State Examiner

December 5, 2023

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COUNTY AUDITOR  
HENDRICKS COUNTY

COUNTY AUDITOR  
HENDRICKS COUNTY  
AUDIT RESULT AND COMMENT

**FINANCIAL TRANSACTIONS AND REPORTING**

*Condition and Context*

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.

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.

*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 AUDITOR  
HENDRICKS COUNTY  
AUDIT RESULT AND COMMENT  
(Continued)

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."

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)

COUNTY AUDITOR  
HENDRICKS COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 31, 2023, with Dennis W. Dawes, Vice President of the Board of County Commissioners; Nancy L. Marsh, County Auditor; Dawn Mayhood, County Treasurer; and Tamela D. Mitchell, Financial Administrator.

BOARD OF COUNTY COMMISSIONERS  
HENDRICKS COUNTY

BOARD OF COUNTY COMMISSIONERS  
HENDRICKS COUNTY  
AUDIT RESULT AND COMMENT

**CAPITAL ASSETS**

*Condition and Context*

An effective internal control system was not in place at the Hendricks County Regional Sewer District (District), to prevent, or detect and correct, potential material misstatements in the recording and reporting of capital assets for the 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 maintained 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*

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BOARD OF COUNTY COMMISSIONERS  
HENDRICKS COUNTY  
AUDIT RESULT AND COMMENT  
(Continued)

"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:

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."

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all 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 Manual for Counties of Indiana, Chapter 1)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1.1. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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