

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

HENRY COUNTY, INDIANA

January 1, 2015 to December 31, 2015



**FILED**  
05/23/2017

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



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
County Auditor:	
Federal Finding:	
Finding 2015-001	
Preparation of the Schedule of Expenditures of Federal Awards .....	6-7
Corrective Action Plan .....	8
Exit Conference .....	9
County Treasurer:	
Federal Finding:	
Finding 2015-002	
Financial Transactions and Reporting .....	12
Corrective Action Plan .....	13
Exit Conference .....	14

### SCHEDULE OF OFFICIALS

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



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2015 to December 31, 2015. 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](http://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

March 16, 2017

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COUNTY AUDITOR  
HENRY COUNTY

COUNTY AUDITOR  
HENRY COUNTY  
FEDERAL FINDING

**FINDING 2015-001**

Subject: Preparation of the Schedule of Expenditures of Federal Awards 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 Child Support Enforcement program was overstated by \$32,209.
2. The Equitable Sharing Program's total federal awards expended were overstated by \$66,017 and the total pass-through to subrecipients was understated by \$149,828.

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. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with

COUNTY AUDITOR  
HENRY COUNTY  
FEDERAL FINDING  
(Continued)

§ 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*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

**FINDING 2015-001**

Contact Person Responsible for Corrective Action: Patricia A. French  
Contact Phone Number: (765) 529-2800

Views of Responsible Official: Patricia A. French

Description of Corrective Action Plan:

We concur with the finding. Due to being audited for two (2) consecutive years, we had no opportunity to correct the SEFA schedule. We have corrected the SEFA schedule for 2016. This occurred due to human error. We have always strived to adhere to internal control procedures for Henry County.

Anticipated Completion Date: Correction already completed for 2016



Patricia A. French  
Henry County Auditor  
February 24, 2017

COUNTY AUDITOR  
HENRY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2017, with Patricia A. French, County Auditor; Cheryl Scales, Chief Deputy of the County Auditor; Linda Rutherford, Deputy County Treasurer; Steve Dugger, Vice President of the County Council; and Bruce (Butch) Baker, President of the Board of County Commissioners.

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; and Rebecca Baker, Matron of the County Sheriff.

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COUNTY TREASURER  
HENRY COUNTY

COUNTY TREASURER  
HENRY COUNTY  
FEDERAL FINDING

**FINDING 2015-002**

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

*Condition*

The County's financial statement contained errors and did not properly reflect the financial activity of the County Treasurer's office. The CAR-1 report for the County Treasurer's office included activity in the amount of \$41,551,183 that should not have been reflected in the financial statement. The CAR-1 report was submitted to the County Auditor's office to be included in the County's 2015 Annual Financial Report which was used to compile the County's financial statement.

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."

*Cause*

Management of the County Treasurer's office had not established a proper system of internal control to ensure that all financial activity of the County Treasurer's office was 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.

*Views of Responsible Officials*

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

**HENRY COUNTY TREASURER  
101 SOUTH MAIN STREET  
NEW CASTLE IN 47362  
765-529-4404**

CORRECTIVE ACTION PLAN

**FINDING 2015-002**

Contact Person Responsible for Corrective Action: Byron G. Bundy  
Contact Phone Number: (765) 529-4404

Views of Responsible Official:

Description of Corrective Action Plan:

The Henry County Treasurer's office went through the 2015 cashbook and immediately accounted for the difference. The CAR-1 has been corrected and the corrected figure has been given to the Auditor's office and to the State Board of Account, allowing for the differences. The CAR-1 report included the Excise Tax and the CEDIT Tax to insure correct figure's for our internal controls.

Anticipated Completion Date:

*Completed*

*Byron G. Bundy*  
(Signature)

*Henry County Treasurer*  
(Title)

*3-16-17*  
(Date)

COUNTY TREASURER  
HENRY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2017, with Patricia A. French, County Auditor; Cheryl Scales, Chief Deputy of the County Auditor; Linda Rutherford, Deputy County Treasurer; Steve Dugger, Vice President of the County Council; and Bruce (Butch) Baker, President of the Board of County Commissioners.

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