

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

FEDERAL SINGLE AUDIT REPORT
OF
HAMILTON COUNTY, INDIANA
January 1, 2016 to December 31, 2016



FILED
09/23/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
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 <i>Government Auditing Standards</i>	3-4
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	5-7
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	10-11
Notes to Schedule of Expenditures of Federal Awards.....	12
Schedule of Findings and Questioned Costs.....	13-21
Auditee Prepared Document:	
Corrective Action Plan	24-32
Other Reports.....	33

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Dawn Coverdale Robin Mills	01-01-13 to 12-31-16 01-01-17 to 12-31-20
County Treasurer	Jennifer Templeton	01-01-13 to 12-31-20
Clerk of the Circuit Court	Tamela Baitz	01-01-15 to 12-31-18
County Sheriff	Mark Bowen	01-01-15 to 12-31-18
County Recorder	Jennifer Hayden	01-01-15 to 12-31-18
President of the Board of County Commissioners	Steven Dillinger Christine Altman	01-01-16 to 12-31-16 01-01-17 to 12-31-17
President of the County Council	Amy Massillamany Fred Glynn	01-01-16 to 12-31-16 01-01-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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 HAMILTON 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 Hamilton County (County), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 12, 2017. Our report includes a reference to other auditors who audited the financial statements of Riverview Hospital, 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.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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 2016-001 and 2016-002, 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)

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 determination of financial statement amounts. 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 item 2016-002.

Hamilton County's Response to Findings

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 it.

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.


Paul D. Joyce, CPA
State Examiner

June 12, 2017, except for our report on the
Schedule of Expenditures of Federal Awards,
for which the date is August 23, 2017



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH 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 HAMILTON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited Hamilton County's (County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH 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 Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-004. Our opinion on each major federal program is not modified with respect to these matters.

The County's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's 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 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2016-003 and 2016-004, that we consider to be material weaknesses.


The County's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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 EACH 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 governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise County's basic financial statements. We issued our report thereon dated June 12, 2017, which contained 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.


Paul D. Joyce, CPA
State Examiner

August 23, 2017

(This page intentionally left blank.)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were prepared by management of the County. The schedule and notes are presented as intended by the County.

HAMILTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed on To Subrecipients	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	FY 2016	\$ -	\$ 15,228
National School Lunch Program	10.555	FY 2016	-	21,574
Total for cluster			-	36,802
Total for federal grantor agency			-	36,802
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Direct Grant				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218	B-09-UC-18-0023	26,305	26,305
		B-10-UC-18-0023	-	51,438
		B-11-UC-18-0023	18,785	137,461
		B-13-UC-18-0023	64,809	100,977
		B-14-UC-18-0023	12,374	42,557
		B-15-UC-18-0023	689,374	700,368
		B-16-UC-18-0023	20,959	20,959
Total for program			832,606	1,080,065
Total for cluster			832,606	1,080,065
Total for federal grantor agency			832,606	1,080,065
<u>U.S. DEPARTMENT OF INTERIOR</u>				
Pass Through Indiana Department of Natural Resources				
National Park Service				
Outdoor Recreation_Acquisition, Development and Planning	15.916	18-00519	-	31,170
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Direct Grant				
Bureau of Justice Assistance				
State Criminal Alien Assistance Program	16.606	2012-H4830-IN-AP	-	21
		2015-H1398-IN-AP	-	12,063
Total for program			-	12,084
Total for federal grantor agency			-	12,084
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Pass Through Indiana Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	0500817	-	90,204
		0710991	-	111,007
		0710992	-	90,906
		0801287	-	94,522
		1173093	-	51,958
		1173460	-	252,190
		1297770	-	55,904
		1383153	-	5,861
		1383254	-	21,498
		1383256	-	1,639
		1383334	-	196,528
		1400760	-	249,664
		1500273	-	25,203
Total for program			-	1,247,084
Total for cluster			-	1,247,084
Pass Through Indiana Criminal Justice Institute				
Highway Safety Cluster				
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	EDS #03-11-5373	-	39
Hamilton County Traffic Safety PA		EDS #03-11-5273	-	1,524
Big City/Big County Enforcement Program		EDS #D3-16-10141	78,241	91,764
2016 Operation Pullover (OPO)		EDS #D3-16-10224	34,567	40,702
2016 DUI Taskforce		EDS #D3-17-11079	20,308	26,921
2017 Operation Pullover (OPO)		EDS #D3-17-11169	9,075	10,791
2017 DUI Taskforce			-	-
Total for program			142,191	171,741
Total for cluster			142,191	171,741

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

HAMILTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed on To Subrecipients	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Direct Grant				
Airport Improvement Program	20.106			
		3-18-0103-025-2014	-	4,521
		3-18-0103-026-2015	-	111,205
		3-18-0103-027-2016	-	148,440
Total for program			-	264,166
Pass Through Indiana Department of Transportation Formula Grants for Rural Areas.	20.509			
		EDS #A249-16-G150159	647,141	647,141
		EDS #A249-16-G150052	126,000	126,000
Total for program			773,141	773,141
Pass Through Indiana Department of Homeland Security Interagency Hazardous Material Public Sector Training and Planning Grants	20.703			
		HM-HMP-0498-15-01-00	-	10,985
Total for federal grantor agency			915,332	2,467,117
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Pass Through Indiana Department of Health Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074			
		16791	-	5,362
		13825	-	105,286
Total for program			-	110,648
Pass Through Indiana Department of Health Centers for Disease Control and Prevention Immunization Cooperative Agreements	93.268			
		14959	-	152,011
Pass Through Indiana Department of Child Services Child Support Enforcement	93.563			
County Clerk's Child Support Expenditures		FY 2016	-	129,908
County Prosecutor's Child Support Expenditures		FY 2016	-	471,112
County Clerk's Child Support Incentive Expenditures		FY 2016	-	16,564
County Prosecutor's Child Support Incentive Expenditures		FY 2016	-	61,145
County Child Support Incentive Expenditures		FY 2016	-	71,103
Indirect Costs		FY 2016	-	206,419
Total for program			-	956,251
Total for federal grantor agency			-	1,218,910
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass Through Indiana Department of Homeland Security Non-Profit Security Program	97.008			
		EMW-2014-SS-00138	-	55,442
Emergency Management Performance Grants	97.042			
		EMW-2015-EP-00037	-	68,330
		EMW-2015-EP-00037	-	32,341
Total for program			-	100,671
State Homeland Security Program (SHSP)	97.073			
		FY 2014	-	33,185
		FY 2015	-	40,000
Total for program			-	73,185
Total for federal grantor agency			-	229,298
Total federal awards expended			<u>\$ 1,747,938</u>	<u>\$ 5,075,446</u>

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

HAMILTON COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. 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, 2016. 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*. 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.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported in accordance with the generally accepted accounting principles basis of accounting used in the preparation of the financial statements. 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	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 programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
20.106	Highway Planning and Construction Cluster Airport Improvement Program	Unmodified Unmodified

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

Auditee qualified as low-risk auditee?	yes
--	-----

Section II - Financial Statement Findings

FINDING 2016-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition

The County hired a consultant to prepare the financial statements and notes. The County reviewed the financial statements and notes; however, the control was not effective. The following errors were identified during the audit of the financial statements and notes:

- The calculation of Excise Tax Receivable was incorrect resulting in an overstatement of Intergovernmental Receivables and Revenues in the amount of \$400,981. This error was not corrected in the financial statements.
- The Investment note was inconsistent with the amounts reported in the financial statements.

HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- The Net Investment in Capital Assets note had the incorrect amount for Cash on Hand, which was understated by \$1,097,325.

Except as noted above, audit adjustments were proposed, accepted by the County, and made to the financial statements and notes.

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. . . ."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the financial statements and notes.

Effect

Because a proper system of internal control was not in place, misstatements of the financial statements and notes remained undetected.

Views of Responsible Officials

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

FINDING 2016-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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). The County hired a consultant to compile the SEFA. The County Auditor and the Deputy County Auditor reviewed the compiled SEFA. However, there were errors that remained undetected; therefore, the controls were not effective.

HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Due to the ineffective controls, the following errors occurred on the SEFA:

- Local expenditures were reported for CFDA 20.205, resulting in an overstatement of \$64,341.
- Federal expenditures reported for CFDA 20.205 were not all properly calculated, resulting in an understatement of \$81,049.
- CFDA 20.106 was omitted, resulting in an understatement of \$264,166.
- Expenditures reported for CFDA 20.601 were not accurately reported by project.
- Thirteen awards did not contain the proper identifying number.

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 § 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:

HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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

Because a proper system of internal control was not in place, material misstatements of the SEFA remained undetected.

Views of Responsible Officials

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

Auditor's Response

In accordance with above referenced criteria, 2 CFR section 200.514(a), and paragraph 6.15 of the *AICPA Audit Guide: Government Auditing Standards and Single Audits*, the Airport Authority should have been included in the County's SEFA. The Airport Authority was a blended component unit of the County and as such was reported as part of their financial statements. There was no separate audit conducted of the financial statements and SEFA of the Airport Authority.

HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-003 - SPECIAL TESTS AND PROVISIONS - REVENUE DIVERSION

Federal Agency: U.S. Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Numbers and Years (or Other Identifying Numbers): 3-18-0103-025-2014,
3-18-0103-026-2015,
3-18-0103-027-2016

Condition

An effective internal control system was not in place at the Airport Authority, a blended component unit of the County, in order to ensure compliance with requirements related to the grant agreement and the Special Test and Provision - Revenue Diversion compliance requirement.

The Airport Authority had no segregation of duties in place for the cash, receipt, and disbursement accounting functions.

Context

The lack of controls was a systemic problem during the period audited.

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 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management of the Airport Authority had not developed a system of internal controls to ensure compliance with the Special Tests and Provisions - Revenue Diversion compliance requirement.

HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The failure to establish an effective internal control system placed the Airport Authority at risk of noncompliance with the grant agreement and the compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Airport Authority's management establish controls related to the grant agreement and the Special Tests and Provisions - Revenue Diversion 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 2016-004 - PROCUREMENT AND SUSPENSION AND DEBARMENT

Federal Agency: U.S. Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Numbers and Years (or Other Identifying Numbers): 3-18-0103-025-2014,
3-18-0103-026-2015

Condition

The Airport Authority, a blended component unit of the County, did not establish procedures to ensure compliance with the procurement requirements. The Airport Authority entered into a contract with a vendor to administer the Airport Improvement Program grants in 2003. In September 2005, the original contractor went out of business and another contractor purchased the remaining services on the outstanding contracts with approval of the Airport Authority. The Airport Authority continued to renew the contract with the contractor for each new project without going through the procurement process. The following contracts were awarded as indicated below for the specified awards:

- Award 3-18-0103-025-2014: contract awarded on December 22, 2014.
- Award 3-18-0103-026-2015: contracts awarded on December 9, 2015, and April 13, 2016.

Context

The lack of internal controls over and noncompliance of the procurement requirements were a continuous issue with the grants.

HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(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 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

49 CFR 18.36(c)(1) states in part: "All procurement transactions will be conducted in a manner providing full and open competition consistent with the standards of § 18.36. . . ."

2 CFR 200.319(a) states in part:

"All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, and invitations for bids or requests for proposals must be excluded from competing for such procurements. . . ."

The Advisory Circular 150/5100-14E, paragraph 2.7.2 states in part:

"Sponsors may procure a consultant for several projects through one procurement action provided the following conditions are met:

1. The consultant is selected using the qualifications based selection procedures described in paragraph 2.9.
2. The parties competing for the work must be advised that the work may be accomplished during the course of multiple grants. The expected schedule of projects must be defined, together with a statement of work and the required services. The statement of work must be described in sufficient detail so that all parties may adequately establish the type of services required to accomplish the work. Avoid generic statements of work.
3. All parties are advised that some of the services may not be required and that the Sponsor reserves the right to initiate additional procurement action for any of the services included in the initial procurement.

HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

4. The services are limited to those specific projects that the Sponsor reasonably expects to initiate within five (5) years (See Para. 3-59, FAA Order 5100.38) of the effective date of the initial contract. With mutual and written agreement between the Sponsor and the FAA, additional projects or work elements may be added after the original selection if all of the following conditions exist:
 1. The Sponsor can provide acceptable justification for not initiating a new procurement action (Note: Convenience of the Sponsor is not an acceptable justification to forgo a separate procurement action).
 2. Added project(s) or work element(s) is (are) similar in character to the statement of work the Sponsor used in the original selection.
 3. Added projects or work elements do not require services or qualifications not previously included in the original selection.
 4. The cumulative cost of services for the added projects or work elements is not expected to exceed the simplified acquisition threshold as defined in Para. U-12 of FAA Order 5100.38.

If the above-listed conditions do not exist, Sponsors that want to add work elements not specifically included in the original procurement action must conduct a separate and new procurement action. Projects initiated within the first five (5) years may continue beyond the duration of the initial contract; however once 5-year duration has ended no new projects should be initiated without a new procurement action. . . ."

FAA Order 5100-38D, paragraph 3-59 states: "Per FAA policy, a sponsor may not extend a task order contract for consultant services beyond a total overall contract duration (without re-advertising the contract) of more than five years."

Cause

Management of the Airport Authority had not developed a system of internal controls to ensure compliance with the procurement requirements.

Effect

The failure to establish an effective internal control system placed the Airport Authority in noncompliance with the grant agreement and the Procurement compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Airport Authority's management establish controls related to the grant agreement and the compliance requirement listed above.

HAMILTON 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.

Auditor's Response

As stated above in the *Criteria* per Advisory Circular 150/5100-14E and FAA Order 5100-38D, the Airport Authority should have conducted a new procurement action to add work elements not specifically included in the original procurement or after the five-year duration had ended.

(This page intentionally left blank.)

AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the County. The document is presented as intended by the County.



CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Lee Graham / Robin M. Mills
Contact Phone Number: 317-770-8861 / 317-770-4424

Views of Responsible Official:

It was found that Lee Graham prepared Excise Receivables on 2/2/2017 and reported them to Suzanne Miller, Consultant for Hamilton County's CAFR information. When SBOA was auditing the error was found in Graham's spreadsheet. The November tax cut in the amount of \$1,653,649.15 for the entire county was received on 1/4/2017. Graham reported it as being received in December 2016. CAFR information should only report Excise that was received in 2016. The County's portion of this was \$420,206.78. Graham overstated the 2016 Excise Receivables for the County portion. Graham revised her report on 5/9/2017 and provided it to SBOA and Suzanne Miller.

Description of Corrective Action Plan:

The investment note and the net investment in capital assets note - cash on hand, were both corrected by the County. The amount of Excise Tax Receivable was also recalculated by the County and submitted to SBOA but the financial statements were not corrected.

Graham, Suzanne Miller and I are discussing how to prevent this issue in the future. Graham will be checking back to the Treasurer daily for cashbook totals.

Anticipated Completion Date:

The completion date of this finding was done during the audit.

Robin M Mills

(Signature)

Hamilton County Auditor

(Title)

08-02-2017

(Date)



CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Kim Rauch / Robin M. Mills
Cindy Duncan (Airport Authority)
Contact Phone Number: 317-776-8462 / 317-770-4424 / 317-776-8422

Views of Responsible Official:

Bullet points one and two concerning the Highway and Parks Department were corrected once they were detected. It was discovered that the Parks Department processed a claim six to eight months late which is not acceptable and will be discussed with Al Patterson, Parks Director. The issue with the Highway were local reimbursements. Hamilton County has found that INDOT does not communicate with local entities when po's are closed or extended which caused the issue in Hamilton County this year.

Bullet point three regarding the Airport is a finding that I do not concur with. The Airport Authority has not been part of the Hamilton County SEFA since they became their own entity in the eyes of the SBOA.

Up until the Airport Authority was declared an entity, the federal FAA monies were included with the County SEFA. No exception had been taken or discussed with the County in prior year audits, when the Airport Authority FAA monies were dropped from the Hamilton County SEFA as the County believed reporting would be done by the Airport Authority when they met the federal reporting threshold.

Comments from the SBOA concerning the Airport Authority appears to be a gray area. In SBOA's comment they stated that the Airport Authority's federal awards have not been audited and therefore should be included with the County. I do not feel it is the fault of the County that the Airport Authority has not been audited and the Airport Authority is still below the \$750,000 reporting threshold.

Bullet point four states that the expenditures reported for CFDA 20.601 were not accurately reported by project and thirteen awards did not contain the proper identifying number, again these grants have been reported by year and not number and the SBOA has not taken exception in all the prior year audits.

Description of Corrective Action Plan:

Rauch will be contacting the Parks Department to set into action reports being submitted throughout the year to the Auditor that details what is going on with their federal awards.

The problem encountered with the highway was the local fund reimbursements. The total amount of reimbursement agreed upon should be reduced by each claim made against the funds. Rauch will be contacting the Highway Department regarding a spreadsheet to note when the agreed reimbursement has been reached so no local fund reimbursements will be included as federal expenditures in the future.

Robin M. Mills

Hamilton County Auditor



33 North Ninth Street, Suite L21
Noblesville, Indiana 46060

Federal awards for the Airport Authority were included in the County SEFA for 2016 as requested by the SBOA. Any future FAA monies would not be included in the County SEFA as the Airport Authority will have their own audit.

Anticipated Completion Date:

These corrective action plans will begin immediately following the 2017 exit conference and be on going from this audit forward.

Robin M Mills

(Signature)

Hamilton County Auditor

(Title)

08-02-2017

(Date)



CORRECTIVE ACTION PLAN

FINDING 2016-003

Contact Person Responsible for Corrective Action: Brad Cozza / Cindy Duncan / Robin M. Mills
Contact Phone Number: 317-385-3015 / 317-776-8422 / 317-770-4424

Views of Responsible Official:

The Airport Authority is a separate governmental entity with a governing body/board with a bookkeeper. Due to the size of the entity there was no feasible way to have segregation of duties.

Description of Corrective Action Plan:

Hamilton County Airport Authority adopted the same internal control policy as Hamilton County in 2017 and hired an Airport Director in July of 2017. Once the Director (Brad Cozza) came on Board the Auditor began making changes to the whole process of receipting and disbursing of cash and accounting practices at Indianapolis Executive Airport as set out in the internal control policy.

Anticipated Completion Date:

This corrective action plan was set in place in 2017 and will continue.

Robin M Mills

(Signature)

Hamilton County Auditor

(Title)

08-02-2017

(Date)



CORRECTIVE ACTION PLAN

FINDING 2016-004

Contact Person Responsible for Corrective Action: Brad Cozza / Cindy Duncan / Robin M. Mills
Contact Phone Number: 317-385-3015 / 317-776-8422 / 317-770-4424

Views of Responsible Official:

Attached is a letter from Airport Attorney, Mike Howard addressing the issues that have been brought forward by 2016 Hamilton County SBOA Audit Team. In the letter Mr. Howard states that he has discussed your audit finding with Mr. Mike Buening, the Engineer of the Aviation Division of INDOT and has been informed that the Airport Authority is not required by FAA regulations to do an RFP for the selection of their engineers.

Mr. Buening indicated that the FAA, in an advisory circular recommends that an entity receiving FAA assistance go through a consultant selection or RFP process every three to five years. However, this is a recommendation and is not mandatory.

Description of Corrective Action Plan:

Mr. Mike Howard will recommend to the Hamilton County Airport Authority to begin the RFP process.

Mr. Howard will suggest the RFP include the following:

1. The firm selected would be subject to annual renewal beginning on April 1st of each year for a period not to exceed five years. The Authority would have the right to issue RFPs and select new engineers on an annual basis. The April date is selected to permit the engineer to evaluate, prepare, and submit the capital improvement plan as part of the same contract term.
2. The engineering firm who is selected would have the following duties:
 - a. Preparation, assistance and submission of the Authority's Capital Improvement plan update.
 - b. Recommendations concerning the priority of capital project to be funded by local funds or grants, including design and project supervision services for those projects.
 - c. Other duties as assigned by the Authority.
3. The Authority would reserve the right to do an RFP for outside engineering services for those projects.
4. In the event the Authority designated its regular engineering firm, or an outside engineering firm, for the administration of a grant, those services would continue through the conclusion of the grant project and closing of the grant unless expressly terminated by the Airport Authority.

Robin M. Mills

Hamilton County Auditor



33 North Ninth Street, Suite L21

Noblesville, Indiana 46060

Anticipated Completion Date:

This corrective action plan will be set in place to send out an RFP in late 2017 for fiscal year 2018 and will follow the three to five year recommendation as set forth by the FAA.

Robin M Mills

(Signature)

Auditor

(Title)

08/10/17

(Date)

HOWARD & ASSOCIATES

Attorneys for Hamilton County, Indiana
and the City of Noblesville
694 Logan Street
Noblesville, Indiana 46060
(317) 773.4212

Michael A. Howard
howardma@aol.com

Darren J. Murphy
darren.murphy.attorney@outlook.com

July 27, 2017

Stephanie Jacobs
Indiana State Board of Accounts
Field Examiner
302 W. Washington Street, E418
Indianapolis, IN 46204

Re: Engineering Selection for
Hamilton County Airport Authority

Dear Ms. Jacobs:

Your question concerning the selection process for engineering services for the HCAA has been forwarded to me as the attorney for the Authority. It is my understanding that you are concerned about the Authority's selection process of an engineering firm to act as the regular, on-call engineers for the Authority and selection of the engineers for each FAA project.

In order to respond to your inquiry, I contacted Mike Buening, the Engineer of the Aviation Division of INDOT. Mike's phone number is (317) 232-1492. He is aware that I am providing you this information and would be more than willing to confirm the information provided in this letter.

Mr. Buening informed me that the Airport Authority is not required by FAA regulations to do an RFP for the selection of their engineers. He indicated that the FAA, in an advisory circular recommends that an entity receiving FAA assistance go through a consultant selection or RFP process every three to five years. However, this is a recommendation and is not mandatory.

Mr. Buening explained that this process is different than projects which are funded by Federal Highway money through INDOT. In the case of the Airport Authority, its grant

contracts are not administered by INDOT but are contracts directly between the Airport Authority and the FAA. This differs from highway grants where the local entity contracts with INDOT and INDOT administers the grant, including the distribution of Federal funding.

Therefore, we would inform you that we have not recently engaged in an RFP selection process. While this is recommended by FAA, we do not believe we have violated any FAA requirement. The Airport has used Woolpert Engineering for at least the last twelve years and we believe that we have been well served by their services.


I should also point out that the FAA mandates that the Authority update a five year Capital Improvement Plan on an annual basis. That Plan includes the proposal for future use of Federal funds which are administered by the grant and is submitted to the FAA in February of each calendar year. Therefore, the Authority's consulting engineer is the engineer that assists the Authority in preparing the long term Capital Improvement Plan, as well as preparation of grant applications and administering each grant.

Notwithstanding the above, I am going to recommend to the Airport that we send out an RFP for engineering firms to provide services to the Authority. I will suggest that the RFP include the following:

1. The firm selected would be subject to annual renewal beginning on April 1st of each year for a period not to exceed five years. The Authority would have the right to issue RFPs and select new engineers on an annual basis. The April date is selected to permit the engineer to evaluate, prepare, and submit the capital improvement plan as part of the same contract term.
2. The engineering firm who is selected would have the following duties:
 - a. Preparation, assistance and submission of the Authority's Capital Improvement Plan update.
 - b. Recommendations concerning the priority of capital projects to be funded by local funds or grants, including design and project supervision services for those projects.
 - c. Other duties as assigned by the Authority.
3. The Authority would reserve the right to do an RFP for outside engineering services for any grant.
4. In the event the Authority designated its regular engineering firm, or an outside engineering firm, for the administration of a grant, those services would continue through the conclusion of the grant project and closing of the grant unless expressly terminated by the Airport Authority.

I hope this information is of assistance in allowing you to conclude the 2016 Hamilton County Audit.

Very truly yours,

A handwritten signature in black ink, appearing to read "Michael A. Howard". The signature is written in a cursive style with a large, sweeping initial "M".

Michael A. Howard

cc: Robin Mills

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/>.