

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
HANCOCK COUNTY, INDIANA
January 1, 2014 to December 31, 2014



FILED
09/27/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Federal Findings:	
Finding 2014-001	
Preparation of the Schedule of Expenditures of Federal Awards	6-7
Finding 2014-002	
Accounting for Hancock County Redevelopment Commission Funds	8
Finding 2014-003	
Department of Transportation - Procurement and Suspension and Debarment.....	9-10
Corrective Action Plan	11-13
Exit Conference	14
Tourism Commission:	
Audit Results and Comments:	
Filing of Oath	16
Contracts	16
Exit Conference	17

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Robin D. Lowder	01-01-11 to 12-31-18
County Treasurer	Janice Silvey	01-01-13 to 12-31-20
Clerk of the Circuit Court	Marcia Moore	01-01-11 to 12-31-18
County Sheriff	Michael Shepherd	01-01-11 to 12-31-18
County Recorder	Debra Carnes	01-01-11 to 12-31-18
President of the Board of County Commissioners	Derek Towle Brad Armstrong	01-01-14 to 12-31-14 01-01-15 to 12-31-17
President of the County Council	William Bolander	01-01-14 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

TO: THE OFFICIALS OF HANCOCK COUNTY, INDIANA

This report is supplemental to our audit report of Hancock County (County), for the period from January 1, 2014 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

August 29, 2017

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COUNTY AUDITOR
HANCOCK COUNTY

COUNTY AUDITOR
HANCOCK COUNTY
FEDERAL FINDINGS

FINDING 2014-001

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

Condition

The County had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units, which is a financial reporting system and the source of the Annual Financial Report (AFR). The Schedule of Federal Expenditures (SEFA) was prepared using the Grant Schedule information within the AFR. The Grant Schedule was prepared by the Deputy County Auditor and reviewed by the County Auditor prior to submission. The control in place did not detect the following errors on the SEFA:

1. The Highway Planning and Construction program expenditures were understated by \$186,051.
2. The Child Support Enforcement program expenditures were understated by \$22,852.
3. The Emergency Planning/RTK expenditures of \$3,907 were included on the SEFA in error.

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. . . ."

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

COUNTY AUDITOR
HANCOCK COUNTY
FEDERAL FINDINGS
(Continued)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § _____.310. . . ."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition*.

Views of Responsible Officials

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

COUNTY AUDITOR
HANCOCK COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2014-002

Subject: Accounting for Hancock County Redevelopment Commission Funds
Audit Findings: Material Weakness, Other Matters

Condition

During the audit period, the Hancock County Redevelopment Commission funds were not recorded within the County's ledger by the County Auditor. There was no other ledger to account for the monies of these funds. The only information available included bank statements and spreadsheets prepared by the Director of the Hancock Economic Development Council. The County had not established an internal control system to ensure that all monies of the County were accounted for within the County's ledger.

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. . . ."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Cause

Management of the County had not established a proper system of internal control that would have ensured that all funds of the County were maintained within the County's records.

Effect

The failure to establish an internal control system resulted in monies of the County not being accounted for within the County's records.

Views of Responsible Officials

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

COUNTY AUDITOR
HANCOCK COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2014-003

Subject: Department of Transportation - Procurement and Suspension and Debarment
Federal Agency: Department of Transportation
Federal Program: Formula Grants for Rural Areas
CFDA Number: 20.509
Federal Award Numbers and Years (or Other Identifying Numbers): 1803056O, 1803256O
Pass-Through Entity: Indiana Department of Transportation
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Condition

The County did not have procedures or internal controls in place to ensure compliance with the suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement. The County failed to verify that the subrecipient of the grant was not suspended or debarred.

Context

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

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

Management had not developed an effective system of internal controls that would have ensured compliance with requirements outlined above.

Effect

The failure to establish an effective internal control system resulted in the County's noncompliance with the Procurement and Suspension and Debarment compliance requirement.

COUNTY AUDITOR
HANCOCK COUNTY
FEDERAL FINDINGS
(Continued)

Questioned Costs

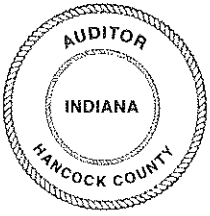
There were no questioned costs identified.

Recommendation

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

Views of the Responsible Official

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



HANCOCK COUNTY AUDITOR

Robin D. Lowder

111 American Legion Place

Suite# 217

Greenfield, Indiana 46140

Office: 317-477-1105

Fax: 317-477-1712

rlowder@hancockcoingov.org

Corrective Action Plan

FINDING 2014-001

Robin D. Lowder:
317-477-1105

I concur the following mistakes were made on Gateway.

1. Highway Planning and Construction program expenditures were understated by \$186,051 on Gateway. They were correct on the County Ledger. We plan to be more diligent in checking our figures so Gateway matches the County Ledger.
2. Child Support Enforcement program expenditures were understated by \$22,852. They were correct on the County Ledger. We plan to be more diligent checking our figures so Gateway matches the County Ledger.
3. Emergency Planning/RTK expenditures have always been included on the SEFA. Now that we are aware it is not a Grant we will no longer include it.

Anticipated Completion Date: August 29, 2017

Robin D. Lowder

County Auditor

August 29, 2017



HANCOCK COUNTY AUDITOR

Robin D. Lowder

111 American Legion Place
Suite# 217
Greenfield, Indiana 46140
Office: 317-477-1105
Fax: 317-477-1712
rlowder@hancockcoingov.org

CORRECTIVE ACTION PLAN

FINDING 2014-002

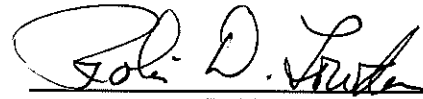
Robin D. Lowder:
317-477-1105

I concur the RDC Funds should be recorded on the County's Ledger.

The Bank was set up as the Trustee and this was allowable by law at the time in 2009. State Board of Accounts made us aware the law had changed in 2017. The County refinanced the RDC 2009 Bond in 2017.

The County through this process has brought the funds into the County and they are recorded within the County's Ledger as of 2017. The monies are all now accounted for and recorded on the County Ledgers. They are part of the County's Annual Report starting with the 2017 Annual Report.

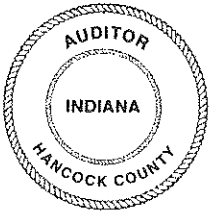
Anticipated Completion Date: August 29, 2017



Robin D. Lowder

County Auditor

August 29, 2017



HANCOCK COUNTY AUDITOR

Robin D. Lowder

111 American Legion Place
Suite# 217
Greenfield, Indiana 46140
Office: 317-477-1105
Fax: 317-477-1712
rlowder@hancockcoingov.org

CORRECTIVE ACTION PLAN

FINDING 2014-003

Robin D. Lowder:
317-477-1105

I concur the County did not comply with the Suspension and Debarment requirement.

The Subrecipient Senior Services does provide the County with the independent Audits they have prepared bi-yearly. These Audits do state Senior Services are in good standing. We were unaware of the fact we were to check on a service for Grants called SAMS to be sure the subrecipient has not been Suspended or Debarment. Now that we are aware of the fact this service is available we will make sure that any subrecipients have not been debarred or suspended or otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549,"Debarment and Suspension."

Anticipated Completion Date: August 29, 2017

Robin D. Lowder

County Auditor

August 29, 2017

COUNTY AUDITOR
HANCOCK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 29, 2017, with Robin D. Lowder, County Auditor; Brad Armstrong, President of the Board of County Commissioners; and William Bolander, President of the County Council.

TOURISM COMMISSION
HANCOCK COUNTY

TOURISM COMMISSION
HANCOCK COUNTY
AUDIT RESULTS AND COMMENTS

FILING OF OATH

Members appointed to the Hancock County Tourism Commission did not file the required oath of office with the Clerk of the Circuit Court (Clerk) of the County during the audit period. Subsequent to the audit period, an oath of office for each member was on file in the Clerk's office.

Indiana Code 6-9-18-5(g) states: "Each commission member, before entering his duties, shall take an oath of office in the usual form, to be endorsed upon his certificate of appointment and promptly filed with the Clerk of the Circuit Court of the County."

CONTRACTS

The Hancock County Tourism Commission provided financial assistance to various not-for-profit organizations during the audit period. For the payments selected for testing, a contract was not presented for audit for 7 out of 15 payments made in 2014 and for 19 out of 19 payments made in 2015.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

TOURISM COMMISSION
HANCOCK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 29, 2017, with Robin D. Lowder, County Auditor; Brad Armstrong, President of the Board of County Commissioners; William Bolander, President of the County Council; and Kelly McClarnon, Treasurer of the Tourism Commission.