

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

HANCOCK COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
09/27/2017

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SCHEDULE OF OFFICIALS

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



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2015 to December 31, 2015. 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 2015-001

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 Edward Byrne Memorial Justice Assistance Grant Program expenditures were overstated by \$98,859
2. The Highway Planning and Construction program expenditures were understated by \$3,338.
3. The Formula Grants for Rural Areas program expenditures were overstated by \$85,610.
4. The Child Support Enforcement program expenditures were overstated by \$10,600.
5. The Hazard Mitigation Grant program expenditures were omitted, resulting in an understatement of expenditures by \$11,100.
6. The Bus and Bus Facilities Program expenditures were omitted, resulting in an understatement of expenditures by \$27,410.
7. The Emergency Planning/RTK expenditures of \$965 were included on the SEFA in error.
8. The Equitable Sharing Program expenditures were understated by \$9,019.

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.

COUNTY AUDITOR
HANCOCK COUNTY
FEDERAL FINDINGS
(Continued)

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."

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."

COUNTY AUDITOR
HANCOCK COUNTY
FEDERAL FINDINGS
(Continued)

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.

FINDING 2015-002

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

Condition

During the audit period, 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 was bank statements and spread sheets prepared by the Director of the 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. . . ."

COUNTY AUDITOR
HANCOCK COUNTY
FEDERAL FINDINGS
(Continued)

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.

FINDING 2015-003

Subject: Formula Grants for Rural Areas - 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): 18032560, 18033560
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 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 were systemic problems 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. . . ."

COUNTY AUDITOR
HANCOCK COUNTY
FEDERAL FINDINGS
(Continued)

2 CFR 180.300 states in part:

"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 the EPLS; 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 outline 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.

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



HANCOCK COUNTY AUDITOR

Robin D. Lowder

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Greenfield, Indiana 46140
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Fax: 317-477-1712
rlowder@hancockcoingov.org

Corrective Action Plan

FINDING 2015-001

Robin D. Lowder:
317-477-1105

I concur the following mistakes were made on Gateway.

1. Edward Bryne Memorial Justice Assistance Grant Program expenditures were overstated by \$98,859.
2. Highway Planning and Construction program expenditures were understated by \$3,338.
3. Formula Grants for Rural Areas program expenditures were overstated by \$85,610.
4. Child Support Enforcement program expenditures were overstated by \$10,600.
5. Hazard Mitigation Grant program expenditures were omitted resulting in an understatement of expenditures by \$11,100.
6. Bus and Bus Facilities Program expenditures were omitted resulting in an understatement of \$27,410 (Senior Services)
7. Emergency Planning/RTK expenditures of \$965 were included on the SEFA in error.
8. Equitable Sharing Program expenditures were understated by \$9,019.

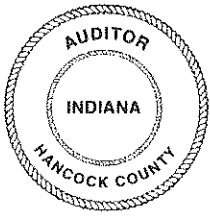
The County plans to be more diligent in checking our data so Gateway will matche the County Ledger. We also will be more diligent in the preparation of the SEFA reporting. We have developed a policy where two Deputies check the figures.

Anticipated Completion Date: August 29, 2017

Robin D. Lowder

County Auditor

August 29, 2017



HANCOCK COUNTY AUDITOR

Robin D. Lowder

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CORRECTIVE ACTION PLAN

FINDING 2015-002

Robin D. Lowder:
317-477-1105

I concur the Redevelopment Commission 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 RDC 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

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CORRECTIVE ACTION PLAN

FINDING 2015-003

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.

COUNTY TOURISM COMMISSION
HANCOCK COUNTY

COUNTY TOURISM COMMISSION
HANCOCK COUNTY
AUDIT RESULTS AND COMMENTS

FILING OF OATH

Members appointed to the 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.

The same comment appeared in the prior Report B48792.

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 County Tourism Commission provided financial assistance to various not-for-profit organizations during the audit period. Of the items selected for testing, a contract was not presented for audit for any of the 19 payments made in 2015.

A similar comment appeared in the prior Report B48792.

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.

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)

COUNTY 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 County Tourism Commission.