

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

HAMILTON COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
07/25/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Robin Mills	01-01-17 to 12-31-20
County Treasurer	Jennifer Templeton	01-01-17 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	Christine Altman Mark Heirbrandt	01-01-17 to 12-31-17 01-01-18 to 12-31-18
President of the County Council	Fred Glynn Steve Schwartz	01-01-17 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF HAMILTON COUNTY, INDIANA

This report is supplemental to our audit report of Hamilton County (County), for the period from January 1, 2017 to December 31, 2017. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Finding, identified in the above referenced audit report, is included in this report.

Any Corrective Action Plan for the Federal Finding, incorporated within this report, was not verified for accuracy.

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

June 14, 2018

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COUNTY AUDITOR
HAMILTON COUNTY

COUNTY AUDITOR
HAMILTON COUNTY
FEDERAL FINDING

FINDING 2017-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-001.

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:

- There was no subsequent event note included in the notes to the financial statements for the issuance of new bonds in 2018 in the amount of \$8,940,000.
- The Pledged Revenues note did not include a disclosure of TIF revenues recognized during the audit period. This error was not corrected in the notes.

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

Context

The lack of controls was a systemic issue, which occurred throughout the audit period.

COUNTY AUDITOR
HAMILTON COUNTY
FEDERAL FINDING
(Continued)

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 proper system of internal controls.

Effect

The failure to establish effective controls enabled misstatements to remain undetected.

Recommendation

We recommended that the County's management establish a system of internal controls related to financial transactions and reporting.

Views of Responsible Officials

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



CORRECTIVE ACTION PLAN

FINDING 2017-001

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

Views of Responsible Official:

- There was a subsequent note included in the notes to the financial statements for issuance of new bonds in 2018. It was the amount that was incorrect. Upon this being brought to Hamilton County's attention the amount was corrected and the note corrected as well.
- Pledged Revenues: As stated on the 2016 Form 22 from the SBOA there was no adjustment made due to immateriality in the previous year. However, Hamilton County's Fiscal Plan does include ten years of "Governmental Activities Pledged Revenue Coverage". Therefore, since Hamilton County completes a CAFR each year, the pledged revenue note is included in the Statistical section of the report and includes ten years of data.

Description of Corrective Action Plan:

Hamilton County has received the "Certificate of Achievement for Excellence in Financial Reporting since 1988. Hamilton County strives for excellence and in doing have hired the best in the field to compile our CAFR. Hamilton County has worked hard to put in place internal controls to field and catch errors.

Due to the subjective nature of these findings creating a corrective action plan is only as good as the opinions of those conducting the audit.

Anticipated Completion Date:

The completion date of the above findings were done during the audit.

The pledged revenue note is included in the report Statistical Section – so all findings were completed during the audit.

Robin M Mills

(Signature)

Hamilton County Auditor

(Title)

07-19-18

(Date)

COUNTY AUDITOR
HAMILTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 14, 2018, with Robin Mills, County Auditor; Mark Heirbrandt, President of the Board of County Commissioners; and Steve Schwartz, President of the County Council.