

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

HANCOCK COUNTY, INDIANA

January 1, 2016 to December 31, 2016



**FILED**  
10/17/2018



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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<br>County Commissioners | Brad Armstrong   | 01-01-16 to 12-31-18 |
| President of the<br>County Council                | William Bolander | 01-01-16 to 12-31-18 |



**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, 2016 to December 31, 2016. 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/](http://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 Result and Comment 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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, were not verified for accuracy.

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

September 18, 2018

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COUNTY AUDITOR  
HANCOCK COUNTY

COUNTY AUDITOR  
HANCOCK COUNTY  
FEDERAL FINDINGS

***FINDING 2016-001***

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

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-001.

*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) entered into the Indiana Gateway for Government Units, which is a financial reporting system and the source of the Annual Financial Report (AFR). The 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; however, the control in place did not detect the errors identified in the *Context*.

*Context*

The SEFA contained the following errors:

1. Highway Planning and Construction: DES #1297608, DES #1500442 and DES #1500443 were not reported, resulting in an understatement in the aggregate of \$237,354.
2. Formula Grants for Rural Areas: The reported amount of federal awards expended included reimbursements from the state, resulting in an overstatement of \$58,173.
3. Formula Grants for Rural Areas: The amount reported as passed through to subrecipients included reimbursements from the state, resulting in an overstatement of \$58,173.
4. A Health Maintenance Grant was reported, but was determined to be a state grant. This resulted in an overstatement of \$59,115.

The SEFA also contained errors of immaterial amounts. 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:

COUNTY AUDITOR  
HANCOCK COUNTY  
FEDERAL FINDINGS  
(Continued)

"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:

- (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.

COUNTY AUDITOR  
HANCOCK COUNTY  
FEDERAL FINDINGS  
(Continued)

- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*Cause*

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

*Effect*

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

*Recommendation*

We recommended that the County's management establish controls related to the preparation of the SEFA.

*Views of Responsible Officials*

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

**FINDING 2016-002**

Subject: Formula Grants for Rural Areas - Suspension and Debarment  
Federal Agency: Department of Transportation  
Federal Program: Formula Grants for Rural Areas  
CFDA Number: 20.509  
Federal Award Number and Year (or Other Identifying Number): A249-16-G150150  
Pass-Through Entity: Indiana Department of Transportation  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-003.

*Condition*

An effective internal control system was not in place at the County in order to ensure compliance with the requirements related to the grant agreement and suspension and debarment.

The County did not have procedures or internal controls in place during the audit period to verify and document that the subrecipient of the grant was not suspended or debarred. The County subsequently established an internal control system and corrected the deficiency to ensure compliance with the suspension and debarment requirements beginning in 2017.

COUNTY AUDITOR  
HANCOCK COUNTY  
FEDERAL FINDINGS  
(Continued)

*Context*

The lack of controls and noncompliance were systemic problems during the audit period.

*Criteria*

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). . . ."

2 CRF 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 the 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 a system of internal controls that would have ensured compliance with the suspension and debarment requirements.

*Effect*

The failure to establish an effective internal control system placed the County in noncompliance with the grant agreement and the suspension and debarment requirements.

*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 suspension and debarment requirements.

*Views of Responsible Officials*

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



## HANCOCK COUNTY AUDITOR

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### CORRECTIVE ACTION PLAN

#### **FINDING 2016-001**

Contact Person Responsible for Corrective Action: Robin D. Lowder  
Contact Phone Number: 317-477-1105

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

1. CFDA 20.205: DES #1297608, DES #1500442 and DES #1500443 were not reported on the SEFA resulting in an understatement in the aggregate of \$237,354.
2. CFDA 20.509: The reported amount of federal awards expended included reimbursements from the State resulting in an overstatement of \$58,173.
3. CFDA 20.509: The amount reported as pass-through to sub-recipients included reimbursements from the State resulting in an overstatement of \$58,173.
4. A Health Maintenance Grant reported on the SEFA was determined to be a State grant, resulting in an overstatement of \$59,115.

Audit adjustments were proposed, accepted by the County, and made to the SEFA.

These errors will be corrected in the County financial system and also in Gateway.

We will be using a more accurate government website to identify Federal grants versus State grants. We will check with SBOA periodically realizing these websites do change. We will be more diligent to be sure a grant should have the disbursements or the receipts entered. Also be sure all grants are included on the SEFA Grant schedule. We also will be seeking addition training on grants.

Anticipated Completion Date: September 18, 2018



Auditor

September 18, 2018



## HANCOCK COUNTY AUDITOR

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### CORRECTIVE ACTION PLAN

#### **FINDING 2016-002**

Contact Person Responsible for Corrective Action: Robin D. Lowder  
Contact Phone Number: 317-477-1105

Views of Responsible Official: We do not concur with the repeat findings. See below for explanation.

#### Description of Corrective Action Plan:

This was corrected in 2017 Senior Services provided us with a statement they are not suspended or debarred. I have provided a copy for the audit.

The Sub-recipient Senior Services does provide the County with the independent Audits they have prepared. 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 SAM to be sure the sub-recipient has not been suspended or debarred. Now that we are aware of the fact this service is available we will make sure that any sub-recipients 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."

**Note:** Hancock County was audited by State Board of Accounts in 2013. We were not audited again until 2017. Hancock County has a history of correcting any findings before our next audit. We do not have a history of repeat findings. We would like it noted the original audit was for the year 2014 but it was done in 2017. We corrected it immediately in 2017 at our first opportunity. There might have been a finding but not a repeat finding. We corrected it two years ago but we are still receiving repeat findings. Thank you.

Anticipated Completion Date: This was completed in 2017 and 2018.

Auditor

September 18, 2018

COUNTY AUDITOR  
HANCOCK COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 18, 2018, 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 RESULT AND COMMENT

***SUPPORTING DOCUMENTATION - TOURISM COMMISSION***

A similar comment also appeared in prior Reports B48792 and B48794, entitled *CONTRACTS*

The County Tourism Commission provided financial assistance to various not-for-profit organizations during the audit period. In a sample of 20 disbursements selected for testing, supporting documentation was unable to be provided for 10 disbursements. An additional 8 disbursements for grant awards were observed to have been approved by the Tourism Commissioners in the minutes; however, no Grant Request Forms were provided to support the awards.

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)

Sept 21, 2018

Re: "OFFICIAL RESPONSE"

From: Hancock County Tourism Commission

To: State Board of Accounts, 302 West Washington Street, Room E 418,  
Indianapolis, Indiana 46204-2765

In response to the Indiana State Board of Accounts audit covering the period of January 1, 2016 to December 31, 2016 and January 1, 2017 to December 31, 2017, the following corrective measures have been implemented:

- All disbursements must be documented with one of the following: receipts, cancelled checks, tickets, invoices or bills.
- Grant rewards must be noted in the minutes and accompanied by a copy of grant request form.
- Any payments made or received for contractual services must be accompanied by a written contract.

Kelly McClarnon, Treasurer

Hancock County Tourism Commission

[kmclarnon@greenfieldin.org](mailto:kmclarnon@greenfieldin.org) 317.437.3332

COUNTY TOURISM COMMISSION  
HANCOCK COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 18, 2018, with Kelly McClarnon, Treasurer of the Tourism Commission; Robin D. Lowder, County Auditor; Brad Armstrong, President of the Board of County Commissioners; and William Bolander, President of the County Council.