

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

FEDERAL SINGLE AUDIT REPORT
OF
HAMILTON COUNTY, INDIANA
January 1, 2018 to December 31, 2018



FILED
07/30/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Robin M. Mills	01-01-17 to 12-31-20
Clerk of the Circuit Court	Tamela Baitz Kathy Williams	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Recorder	Jennifer Hayden	01-01-15 to 12-31-22
County Sheriff	Mark Bowen Dennis Quakenbush II	01-01-11 to 12-31-18 01-01-19 to 12-31-22
County Treasurer	Jennifer Templeton	01-01-13 to 12-31-20
President of the Board of County Commissioners	Mark Heirbrandt Steve Dillinger	01-01-18 to 12-31-18 01-01-19 to 12-31-19
President of the County Council	Steve Schwartz Brad Beaver	01-01-18 to 12-31-18 01-01-19 to 12-31-19



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 the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hamilton County (County), as of and for the year ended December 31, 2018, 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 19, 2019. 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 2018-001 and 2018-002, 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 2018-002.

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 19, 2019, except for our report on the
Schedule of Expenditures of Federal Awards,
as to which the date is July 8, 2019



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2018. 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.

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)

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, 2018.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 19, 2019, except for our report on the Schedule of Expenditures of Federal Awards, as to which the date is July 8, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for

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)

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

July 8, 2019

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

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

HAMILTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2018

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 2018	\$ -	\$ 12,159
National School Lunch Program	10.555	FY 2018	-	17,016
Total for cluster			-	29,175
Total for federal grantor agency			-	29,175
<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-15-UC-18-0023	12,595	12,595
		B-16-UC-18-0023	7,200	7,200
		B-17-UC-18-0023	202,890	202,890
		B-18-UC-18-0023	50,457	50,457
Total for cluster			273,142	273,142
total for federal grantor agency			273,142	273,142
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Pass Through Bureau of Justice Assistance				
State Criminal Alien Assistance Program	16.606	FY 16 SCAPP	-	15,628
		FY 15 SCAPP	-	3,803
		FY 14 SCAPP	-	5,753
Total for program			-	25,184
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Pass Through Indiana Department of Transportation				
Formula Grants for Rural Areas	20.509	A249-18-G170205	667,238	667,238
		A249-18-G170063	54,913	54,913
Total for program			722,151	722,151
Pass Through Indiana Department of Transportation				
Bus and Bus Facilities Formula Program	20.526	A249-18-G170087	194,258	194,258
Pass Through Indiana Criminal Justice Institute				
Highway Safety Cluster				
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601			
2018 DUI Taskforce		D3-18-12046	21,991	28,710
2018 Operation Pullover		D3-18-11882	71,136	91,431
Total for cluster			93,127	120,141
Pass Through Indiana Department of Homeland Security				
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	25321	-	15,698
Total for federal grantor agency			1,009,536	1,052,248

HAMILTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2018

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>ELECTION ASSISTANCE COMMISSION</u>				
Pass Through Indiana Secretary of State, Election Division Help America Vote Act Requirements Payments	90.401	FY2018	-	107,021
<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	29981 20359	- -	45,373 43,634
Total for program			-	89,007
Pass Through Indiana Department of Health Centers for Disease Control and Prevention Immunization Cooperative Agreements	93.268	2017 H23IP00723 2018 H23IP00723	- -	37,772 20,012
Total for program			-	57,784
Pass Through Indiana Department of Child Services Child Support Enforcement Clerk's IV-D Incentive County Clerk's Child Support Incentive Expenditures Prosecutor's Child Support Incentive Expenditures Clerk's Child Support Expenditures Prosecutor's Child Support Expenditures Indirect Costs	93.563	FY 2018 FY 2018 FY 2018 FY 2018 FY 2018 FY 2018	- - - - - -	62,479 20,659 61,084 113,681 504,470 203,476
Total for program			-	965,849
Total for federal grantor agency			-	1,112,640
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass Through Indiana Department of Homeland Security Emergency Management Performance Grants	97.042	EMC-2017EP-00002	- -	78,274 14,280
Total for program			-	92,554
Pass Through Indiana Department of Homeland Security Homeland Security Grant Program	97.067	EMW-2017-SS-00003 EMW-2017-SS-00003	- -	215,083 149,991
Total for program			-	365,074
Total for federal grantor agency			-	457,628
Total federal awards expended			<u>\$ 1,282,678</u>	<u>\$ 3,057,038</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, 2018. 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* (Uniform Guidance). 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 the Uniform Guidance, 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 deficiency identified?	none reported
Noncompliance material to financial statements noted?	yes

Federal Awards:

Internal control over major programs:	
Material weakness identified?	no
Significant deficiency identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no

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
20.509	Formula Grants for Rural Areas	Unmodified
93.563	Child Support Enforcement	Unmodified

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

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2018-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2017-001 from the immediately prior audit report.

Condition

The County did not have a proper system of internal control in place to prevent, or detect and correct, errors in its financial statements. 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:

HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- On the Statement of Fiduciary Net Position, Trust payable for the Agency Funds was understated by \$25,673,432 due to a formula error.
- The County's Self-Insurance fund, a Proprietary Fund, was comprised of five bank accounts. Transfers between these bank accounts were improperly included in the fund's revenues and expenses. In addition, it was found that reported revenues and expenses did not reflect all activity that occurred within the accounts during the fiscal year. These variances caused revenues and expenses on the Statement of Revenues, Expenses, and Changes in Fund Net Position for the Proprietary Fund to be overstated by \$12,918,281 and \$13,076,039, respectively.

Audit adjustments were proposed, accepted by the County, and the financial statements were adjusted to reflect the accurate amount for these transactions.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

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 of the County had not established a proper system of internal control.

Effect

The failure to establish controls enabled misstatements or irregularities in the financial statements to remain undetected.

Recommendation

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

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.

FINDING 2018-002

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

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 Auditor reviewed the compiled SEFA. However, there were errors that remained undetected.

Context

The SEFA contained the following material errors:

- The SEFA contained local expenditures instead of federal expenditures relating to CFDA 20.509, resulting in an overstatement of \$381,249.
- The SEFA contained an overstatement of expenditures passed through to subrecipients relating to CFDA 20.509, in the amount of \$381,249.
- The SEFA contained several other errors that were not material individually. These errors totaled \$119,435.

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. . . ."

HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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.
- (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*.

HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

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AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the County. The documents are presented as intended by the County.



June 19, 2019

To: State Board of Accounts
Fr: Robin M. Mills, Hamilton County Auditor

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-001

Fiscal year in which the finding initially occurred: January 1, 2017 – December 31, 2017
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:
Contact Person Responsible for Corrective Action: Robin M. Mills
Contact Phone Number: 317-770-4424

Status of Audit Finding:

As stated in the corrective action plan dated 07/19/18:

A subsequent note was 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 was corrected a well.

The pledged revenue note was included in the Statistical Section of the report, however, due to the immateriality no adjustment was made in the previous year. The Hamilton County Auditor's Office will proof note section. The corrective action will begin immediately, and the information will appear in the notes section of Hamilton County's CAFR moving forward.

Robin M Mills

(Signature)

Auditor

(Title)

06.19.19

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

**CORRECTIVE ACTION PLAN****FINDING 2018-001**

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

Views of Responsible Official:

The 2018 Audit has been a transition year for Hamilton County. Upon the retirement of Suzanne Miller, Consultant, Hamilton County has hired Baker Tilly Municipal Advisors, LLC to compile our financials. BT and Hamilton County have worked with the SBOA this year and most errors were identified simultaneously and corrected immediately. In the early meetings with the State Board of Accounts we communicated the need for continued math and word proofing due to the extreme volume of formulas and information in the CAFR. We believed the State Board of Accounts to have been in agreement that these types of errors would not be reported on the Form 22 as long as we corrected them (as was the case).

During the audit it was brought to my attention that the County did not have a proper system of internal control in place to prevent, or detect and correct, errors in my financial statements. 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:

- On the Statement of Fiduciary Net Position, Trust Payable for the Agency Funds was understated by \$25,673,432 due to a formula error.
- The County's Self-Insurance fund, a Proprietary Fund, was comprised of five bank accounts. Transfers between these bank accounts were improperly included in the fund's revenues and expenses. In addition, it was found that reported revenues and expenses did not reflect all activity that occurred within the accounts during the fiscal year. These variances caused revenues and expenses on the Statement of Revenues, Expenses, and Changes in Net Position for the Proprietary Fund to be overstated by \$12,918,281 and \$13,076,039, respectively.

Audit adjustments were proposed, accepted by the County, and the financial statements were adjusted to reflect the accurate amount for these transactions.

Description of Corrective Action Plan:

Auditor Mills has met with BT and will implement the following:

Going forward, Hamilton County has instructed our consultant to continue to utilize check totals in our workpapers to mitigate formula errors. We also instructed them to provide an overall electronic proof sheet to proactively identify mathematical errors and reference errors. Going forward, our consultant will present this proof with each iteration of the CAFR so that management can more readily check the accuracy of each reported total.



In addition, management will continue the existing process of checking information to the best of our ability short of auditing every cell in a multi-page excel workbook.

We have discussed the self-insurance errors with our consultant and have directed them to prepare a more comprehensive assembly process of the Self-Insurance funds for future reports. This process will more clearly indicate for each bank account for every month the receipts, disbursements and transfer activity. In addition, our office will require this documentation as part of the standard workpapers for this fund to ensure that the reported totals reconcile to the monthly activity (net of transfers) on the (currently) five bank accounts that comprise the County's Internal Service Fund.

While our corrective action plan will enhance each of the five components and seventeen principals of internal controls specific corrections are targeted in the Control Environment, Control Activities and Ongoing Monitoring components.

Anticipated Completion Date:

Corrective actions have either already been implemented or are tasked for completion before the 2019 Audit.

FINDING 2018-002

Contact Person Responsible for Corrective Action: Robin M. Mills and Todd Clevenger
Contact Phone Number: (317)770-4424 / (317)770-8814

Views of Responsible Official:

The 2018 Audit has been a transition year for Hamilton County. Upon the retirement of Suzanne Miller, Consultant, Hamilton County has hired Baker Tilly Municipal Advisors, LLC to compile our financials. Hamilton County Auditor hired a Grant Administrator in March 2018. While each error, in hindsight, was preventable, the efforts of the staff and the support of our consultant found far more corrections and went undiscovered.

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 Auditor reviewed the compiled SEFA. However, there were errors that remained undetected.

Context

The SEFA contained the following material errors:

- The SEFA contained expenditures that were local instead of Federal relating to CFDA 20.509, resulting in an overstatement of \$381,249;
- The SEFA contained an overstatement of expenditures passed through to subrecipients relating to CFDA 20.509, in the amount of \$381,249;
- The SEFA contained several other errors that were not material individually. These errors totaled \$119,435.



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

Description of Corrective Action Plan:

Auditor Mills has met with BT and Todd Clevenger and will implement the following:

The County will seek more training for staff involved in the preparation of the SEFA. In our view, this training, combined with a year of experience, will eliminate errors of the type noted by the State Board of Accounts.

While our corrective action plan will enhance each of the five components of internal controls specific corrections are targeted in the Control Environment, Control Activities and Ongoing Monitoring components.

Anticipated Completion Date:

Corrective actions have either already been implemented or are tasked for completion before the 2019 Audit.

Robin M Mills
(Signature)

Auditor
(Title)

07-02-19

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/>.