

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

HANCOCK COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED
08/14/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Robin D. Lowder Debra A. Carnes	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Treasurer	Janice Silvey	01-01-17 to 12-31-20
Clerk of the Circuit Court	Marcia Moore Lisa Lofgreen	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Sheriff	Michael Shepherd Brad Burkhart	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Recorder	Debra A. Carnes Marcia Moore	01-01-15 to 12-31-18 01-01-19 to 12-31-22
President of the Board of County Commissioners	Brad Armstrong John Jessup	01-01-17 to 12-31-18 01-01-19 to 12-31-19
President of the County Council	William Bolander	01-01-17 to 12-31-19



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, 2018 to December 31, 2018. 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

July 18, 2019

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COUNTY AUDITOR
HANCOCK COUNTY

COUNTY AUDITOR
HANCOCK COUNTY
FEDERAL FINDING

FINDING 2018-001

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

Repeat Finding

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

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).

Context

The SEFA contained the following errors:

1. The Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii (CFDA 14.228) expenditures were not reported, resulting in an understatement of \$67,553.
2. The Edward Byrne Memorial Justice Assistance Grant Program (CFDA 16.738) expenditures were overstated in the amount of \$57,599.
3. The Child Support Enforcement (CFDA 93.563) expenditures were overstated in the amount of \$15,544.
4. The Emergency Management Performance Grants program (CFDA 97.042) expenditures were overstated in the amount of \$13,618.

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. . . ."

COUNTY AUDITOR
HANCOCK COUNTY
FEDERAL FINDING
(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*.

COUNTY AUDITOR
HANCOCK COUNTY
FEDERAL FINDING
(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.

**HANCOCK
COUNTY
AUDITOR**

CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Debra Carnes
Contact Phone Number: 317-477-1105

Views of Responsible Official: We agree with audit finding. We acknowledge this finding has been repeated and are in the process of correcting for future audits.

Description of Corrective Action Plan: The Auditor and Bookkeeper will compare last year's SEFA report with the current SEFA report to look for any grants reported in the prior report that we would still have in the current year. We will be maintaining copies of emails referencing grants in our grant binder, along with utilizing an excel spread sheet to track grants for the SEFA report.

Anticipated Completion Date: We have currently implemented an excel spread sheet to assist with tracking and reporting all grants. Our office will have a process fully in place by the end of 2019 to assist with future reporting and internal controls.

Debra A. Carnes
(Signature)

Hancock County Auditor
(Title)

July 15, 2019
(Date)

COUNTY AUDITOR
HANCOCK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 18, 2019, with Debra A. Carnes, County Auditor; Robin D. Lowder, former County Auditor; John Jessup, President of the Board of County Commissioners; and Jeannine Gray, County Council member.