

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

HENRY COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED

09/23/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Patricia A. French Debra G. Walker	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Treasurer	Byron G. Bundy Bill Upchurch	01-01-15 to 12-31-18 01-01-19 to 12-31-22
Clerk of the Circuit Court	Debra G. Walker Jennifer Grubbs	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Sheriff	Ric A. McCorkle	01-01-15 to 12-31-22
County Recorder	Linda C. Winchester	01-01-15 to 12-31-22
President of the Board of County Commissioners	Bruce (Butch) Baker Kim Cronk	01-01-18 to 12-31-18 01-01-19 to 12-31-19
President of the County Council	Nate Lamar Susan Huhn	01-01-18 to 12-31-18 01-01-19 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF HENRY COUNTY, INDIANA

This report is supplemental to our audit report of Henry 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 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 Finding, identified in the above referenced audit report, is 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 Finding 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 3, 2019

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COUNTY AUDITOR
HENRY COUNTY

COUNTY AUDITOR
HENRY COUNTY
FEDERAL FINDING

FINDING 2018-001

Subject: Community Development Block Grants/State's program and
Non-Entitlement Grants in Hawaii - Special Tests and
Provisions - Wage Rate Requirements

Federal Agency: Department of Housing and Urban Development

Federal Program: Community Development Block Grants/State's program
and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Numbers): PF-16-100

Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements

Audit Finding: Material Weakness

Condition and Context

An effective internal control system, which would include segregation of duties, was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the following compliance requirement: Special Tests and Provisions - Wage Rate Requirements.

The County relied on a grant administrator to comply with the wage rate requirements. There was no evidence presented for audit that there was an oversight, review, or approval process in place at the County level to ensure compliance with the wage rate requirements.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

COUNTY AUDITOR
HENRY COUNTY
FEDERAL FINDING
(Continued)

(a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards 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). . . ."

Cause

Management had not developed a system of internal controls that segregated key functions and ensured compliance with the wage rate requirements.

Effect

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement. A lack of segregation of duties within an internal control system could also allow noncompliance with the compliance requirement and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish a system of internal controls, including segregation of duties, related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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



**DEBRA G. WALKER
HENRY COUNTY AUDITOR
COURTHOUSE
101 S. MAIN STREET
NEW CASTLE, INDIANA 47362
PHONE: 765-529-2800
E-mail address: dwalker@henryco.net**

CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Debra G. Walker, Henry County Auditor
Contact Phone Number: 765-529-2800

Views of Responsible Official:

I concur to the finding. Being newly elected to the office January 1, 2019 and the Chief Deputy being new as well, we are unsure of the process that was used to review the claims, payroll and required reports. Since being made aware of the situation, we are in the process of writing a policy for any other federal grants we may receive.

Description of Corrective Action Plan:

Effective September 1, 2019 a plan will be in place that the Auditor or an employee of the Auditors office will review all claims and check to make sure that the correct wage rate is being paid before being sent to the Commissioners for final approval. All required reports will have to be submitted to the Auditor and will be reviewed and signed off on before final approval from the Commissioners, to make sure they are correct and submitted on time.

Anticipated Completion Date: September 1, 2019

Debra G. Walker
Henry County Auditor

HAYES COPENHAVER CRIDER HARVEY, LLP

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E. G. SCOTTEN 1877-1957

J. R. HINSHAW 1883-1970

J. R. STANLEY 1910-1980

G. W. HAND 1919-1995

R. SCOTT HAYES 1946-

September 13, 2019

State Board of Accounts
302 West Washington St., Room E-418
Indianapolis, IN 46204-2765

RE: Audit of Henry County, Indiana for a period of January 1, 2018 to
December 31, 2018

OFFICIAL RESPONSE

Dear Sir or Madam:

In connection with the Audit of Henry County for the period of January 1, 2018, through December 31, 2018, the State Board of Accounts issued Finding 2018-001. The finding provides in relevant part;

“An effective internal control system, which would include segregation of duties, was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Special Tests and Provisions-Wage Rate Requirements.

The County relied on a grant administrator to comply with Wage Rate Requirements. There was no evidence presented for audit that there was an oversight, review, or approval process in place at the County level to ensure compliance with Wage Rate Requirements.”

In 2017, Henry County was awarded a Community Development Block Grant funded by the Department of Housing and Urban Development through the Indiana Office of Community and Rural Affairs for the purpose of constructing a new fire station in Stoney Creek Township. A condition of the grant required that all persons performing construction related labor be paid at a specified wage rate and that the recipient ensure compliance with the wage rate requirements.

Henry County relied upon the grant administrator (an outside vendor) to determine whether the wage rate requirements were satisfied. The County did not have a process or system in which it independently verified the grant administrator’s review of wages paid by the contractors and subcontractors that performed construction services.

The finding does not allege that Henry County failed to pay the required wages and does not identify questioned costs.

Henry County intends to adopt a system of internal controls to monitor compliance with conditions of any federal grant it receives. The internal controls will include segregation of duties and will be in compliance with, and conform to, guidance provided in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Frame Work," issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Thank you for allowing Henry County the opportunity to respond to the Audit Finding.

Very truly yours,

HAYES COPENHAVER CRIDER HARVEY LLP

A handwritten signature in black ink, appearing to read 'J. Harvey', is written over the typed name 'Joel E. Harvey'.

Joel E. Harvey

JEH:bk

cc: Henry County Auditor
Board of Commissioners of Henry County, Indiana
Henry County Council

COUNTY AUDITOR
HENRY COUNTY
AUDIT RESULT AND COMMENT

REDEVELOPMENT COMMISSION FUNDS

This is a repeat comment from the prior Report B51144.

During the audit of the financial statement, there were three funds relating to the Redevelopment Commission that were included on the financial statement, but were not included on the ledger.

Indiana Code 36-7-14-8(b) states in part:

"The fiscal officer of the unit establishing a redevelopment commission is the treasurer of the redevelopment commission. Notwithstanding any other provision of this chapter, but subject to subsection (c), the treasurer has charge over and is responsible for the administration, investment, and disbursement of all funds and accounts of the redevelopment commission in accordance with the requirements of state laws that apply to other funds and accounts administered by the fiscal officer. . . ."

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 County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR
HENRY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 3, 2019, with Debra G. Walker, County Auditor; Kim Cronk, President of the Board of County Commissioners; Susan Huhn, President of the County Council; Bobbie York, Chief Deputy County Auditor; Kenon Gray, County Council member; and Joel Harvey, County Attorney.