

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

HAMILTON COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
09/16/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Robin M. Mills	01-01-19 to 12-31-20
County Treasurer	Jennifer Templeton	01-01-19 to 12-31-20
Clerk of the Circuit Court	Kathy Williams	01-01-19 to 12-31-20
County Recorder	Jennifer Hayden	01-01-19 to 12-31-20
County Sheriff	Dennis Quakenbush II	01-01-19 to 12-31-20
President of the Board of County Commissioners	Steve Dillinger Christine Altman	01-01-19 to 12-31-19 01-01-20 to 12-31-20
President of the County Council	Brad Beaver Rick McKinney	01-01-19 to 12-31-19 01-01-20 to 12-31-20



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, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 29, 2020. 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 County'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 2019-001 and 2019-002, 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

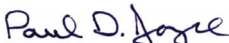
As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 2019-002.

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

July 29, 2020, except for the Schedule of Expenditures of
Federal Awards, for which the date is August 10, 2020



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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, 2019. 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.

The County's basic financial statements include the operations of the Hamilton County Airport Authority, which expended federal awards, which are not included in the County's schedule of expenditures of federal awards for the year ended December 31, 2019. Our audit, described below, did not include the operations of the Hamilton County Airport Authority because the Hamilton County Airport Authority received a separate audit.

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, 2019.

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.

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)

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

We have audited the financial statements of 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, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated July 29, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for 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

August 10, 2020

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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HAMILTON COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Pass-Through To Subrecipient	Total Federal Awards Expended
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY2019	\$ -	\$ 8,555
School Breakfast Program					
National School Lunch Program	Indiana Department of Education	10.555	FY2019	-	13,997
Child Nutrition Program-Lunch					
Total - Child Nutrition Cluster				-	22,552
Total - Department of Agriculture				-	22,552
<u>Department of Housing and Urban Development</u>					
CDBG - Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grants	Direct grant	14.218	B-16-UC-18-0023	-	116,500
			B-18-UC-18-2003	250,369	250,369
			B-19-UC-18-0023	18,880	18,880
Total - Community Block Development Grants/Entitlement Grants				269,249	385,749
Total - CDBG - Entitlement Grants Cluster				269,249	385,749
Total - Department of Housing and Urban Development				269,249	385,749
<u>Department of Justice</u>					
Special Data Collections and Statistical Studies	Direct grant	16.734	2018-FU-CX-K028	-	46,055
FY2018 NCS-X Implementation Assistance Grant					
Comprehensive Opioid, Stimulant, and Substance Abuse Program	Direct grant	16.838	BJA-2018-13607	10,909	141,152
FY18 Comprehensive Opioid Prevention Efforts					
Total - Department of Justice				10,909	187,207
<u>Department of Transportation</u>					
Federal Transit Cluster					
Buses and Bus Facilities Formula, Competitive, and Low or No Emiss	Indiana Department of Transportation	20.526	A249-19-G180393	143,670	143,670
2019 HCE Capital Grant					
Total - Federal Transit Cluster				143,670	143,670

HAMILTON COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Pass-Through To Subrecipient	Total Federal Awards Expended
Highway Planning and Construction Cluster Highway Planning and Construction	Indiana Department of Transportation	20.205	DES #1383157 DES #1400760 DES #1400788 DES #1401702 DES #1500281	- - - - -	182,932 337,354 797,800 68,206 35,321
Total - Highway Planning and Construction Cluster				<u>-</u>	<u>1,421,613</u>
Highway Safety Cluster State and Community Highway Safety NHTSA SAVE Stop Arm Violation Enforcement Grant	Indiana Criminal Justice Institute	20.600	69A375193000040201N0	-	5,163
Alcohol Impaired Driving Countermeasures Incentive Grants I FY2018 DUI TaskForce Grant		20.601	69A3751830000405DINO D3-18-12046	29,345 <u>9,032</u>	35,604 <u>11,928</u>
Total - Alcohol Impaired Driving Countermeasures Incentive Grants I				<u>38,377</u>	<u>47,532</u>
National Priority Safety Programs FY19 Operation Pull Over FY2018 Operation Pull Over	Indiana Criminal Justice Institute	20.616	69A37519300004020IN) D3-18-11882	90,366 <u>25,317</u>	125,285 <u>34,908</u>
Total National Priority Safety Programs				<u>115,683</u>	<u>160,193</u>
Total - Highway Safety Cluster				<u>154,060</u>	<u>212,888</u>
Formula Grants for Rural Areas and Tribal Transit Program 2018 HCE Operating Grant 2019 HCE Operating Grant	Indiana Department of Transportation	20.509	A249-18-G170205 A249-19-G180504	133,935 <u>555,196</u>	133,935 <u>555,196</u>
Total - Formula Grants for Rural Areas and Tribal Transit Program				<u>689,131</u>	<u>689,131</u>
Interagency Hazardous Materials Public Sector Training and Planning G FY2019 LEPC HMEP Grant	Indiana Department of Homeland Security	20.703	25321	-	10,000
Total - Department of Transportation				<u>986,861</u>	<u>2,477,302</u>

HAMILTON COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Pass-Through To Subrecipient	Total Federal Awards Expended
<u>Department of Health and Human Services</u>					
Immunization Cooperative Agreements 2019 Immunization Grant 2018 Immunization Grant	Indiana State Department of Health	93.268	35691 2018 H23IP00723	2,279 -	9,901 42,418
Total - Immunization Cooperative Agreements				<u>2,279</u>	<u>52,319</u>
Public Health Emergency Preparedness Public Health Emergency Preparedness	Indiana State Department of Health	93.069	29981	-	35,487
Hospital Preparedness Program (HPP) and Public Health Emergency Pr Public Health Emergency Preparedness 2018-2019	Indiana Department of Health	93.074	26681	-	44,308
Child Support Enforcement Title IV-D Incentive Fund Clerk IV-D Incentive Fund Post Oct 99 Prosecutor IV-D Incentive Fund Clerk's Child Support Expenditures Prosecutor's Child Support Expenditures	Indiana Department of Child Services Child Support Enforcement	93.563	FY2019 FY2019 FY2019 FY 2019 FY 2019	- - - - -	70,261 31,828 62,147 102,156 466,294
Total Child Support Enforcement				-	732,686
Total - Department of Health and Human Services				<u>2,279</u>	<u>864,800</u>
<u>Department of Homeland Security</u>					
Emergency Management Performance Grants FY18 EMPG	Indiana Department of Homeland Security	97.042	EMC-2018-EP-00005	-	125,899
Pre-Disaster Mitigation FY17 Pre-Disaster Mitigation Grant	Indiana Department of Homeland Security	97.047	EMC-2018-PC-0007	-	19,564
Homeland Security Grant Program 8224 97.067 FY17 SHSGP Video Project Grant UASI Equipment & Training Grant SHSP 2018 Building a Secure Hamilton County LPRs	Indiana Department of Homeland Security	97.067	EMW-2017-SS-00003 EMW-2018-SS-00011	- - -	149,991 114,589 100,000
Total Homeland Security Grant Program				-	364,580
Total - Department of Homeland Security				-	510,043
Total federal awards expended				<u>\$ 1,269,298</u>	<u>\$ 4,447,653</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, 2019. 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 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:

Name of Opinion Unit	Opinion Issued
Governmental Activities	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
Major Funds	Unmodified
Aggregate Remaining Funds	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies 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
	Highway Planning and Construction Cluster	Unmodified
20.509	Formula Grants for Rural Areas and Tribal Transit Program	Unmodified

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2019-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-001.

Condition and Context

The County did not have a proper system of internal controls 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:

- The fund balances and activity of two fiduciary funds, After Settlement Fund and Tax Distribution, are comprised of tax distributions received for other taxing units. The same transactions were accounted for in both the After Settlement Fund and Tax Distribution funds on the financial statements. These variances caused additions and deductions on the Statement of Changes in Fiduciary Net Position to be overstated by \$618,906,792 and \$638,746,809, respectively.

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

The lack of controls 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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management of the County had not established a proper system of internal controls.

Effect

The failure to establish a system of internal controls enabled material misstatements or irregularities to remain undetected.

Views of Responsible Officials

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

FINDING 2019-002

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

Repeat Finding

This is a repeat of Finding 2018-002 from the immediately prior audit report.

Condition and Context

The County did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The County had not established effective internal controls over the federal award information. An oversight or review process had been implemented; however, the review was not effective as evidenced by the errors on the SEFA identified below.

The SEFA presented for audit contained the following errors:

1. The Child Support Enforcement grant expenditures were understated by \$588,501.
2. The Immunization Cooperative Agreements grant expenditures were overstated by \$5,418.
3. The Highway Planning and Construction Cluster grant expenditures were overstated by \$181,290.
4. The Federal Transit Cluster expenditures were understated by \$241.
5. The National School Lunch Program expenditures were understated by \$390.
6. The School Breakfast Program expenditures were overstated by \$234.
7. The CDBG - Entitlement Grants Cluster expenditures were overstated by \$50,456.
8. The Highway Safety Cluster expenditures were overstated by \$34,908.
9. Not all CFDA numbers, program names, pass-through amounts, and identifying numbers were correct or listed.

HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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.

HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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

The County's management had not established a system of internal controls that would ensure proper reporting of the SEFA.

Effect

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

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.

Robin M. Mills

Hamilton County Auditor



33 North Ninth Street, Suite L21

Noblesville, Indiana 46060

June 15, 2020

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-001 Fiscal year in which the finding initially occurred: 2016
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:

Hamilton County and Baker Tilly added a worksheet to the Baker Tilly file to prove all tabs and formulas foot and cross foot and that Baker Tilly doesn't have any rounding errors. Baker Tilly can provide Hamilton County this as a separate deliverable document as well.

Baker Tilly has created workpapers for net transfers and will provide these documents to the SBOA as part of the workpapers for the Self-Insurance Fund.

SBOA proposed audit adjustments, which were accepted by Hamilton County and the financial statements were adjusted to reflect the accurate amount for the transactions.

Respectfully submitted,

Robin M. Mills
Hamilton County Auditor

Robin M. Mills

Hamilton County Auditor



33 North Ninth Street, Suite L21

Noblesville, Indiana 46060

June 10, 2020

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-002 Fiscal year in which the finding initially occurred: 2018
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:

Hamilton County's Grant Administrator, Airport Director and Administrative Assistant Deputy have received further training in SEFA preparation.

Training was provided by Baker Tilly and Woolpert Inc.

Furthermore, SBOA proposed audit adjustments, which were accepted by Hamilton County and were made to the SEFA.

Respectfully submitted,

Robin M. Mills
Hamilton County Auditor



CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Robin M. Mills

Contact Phone Number: (317) 770-4424

Views of Responsible Official:

We concur with the finding. In 2019, the County early adopted GASB 84 and alerted the Indiana State Board of Accounts that the implementation had generated several questions for the County. Those questions were not resolved before the SBoA issued this finding.

To clarify, the additions and deletions in the County's Cash Book/After Settlement Collections exist but should not have been classified as additions and deletions in the custodial funds. These dollars are collected for further distribution to the county and other governments in accordance with the nature of the receipts. Under GASB 84, those amounts are reported as payables rather than as additions and deletions. The only additions and deletions reported in the After-Settlement Fund are activities associated with dollars collected after the settlement date and before the end of the calendar year.

Description of Corrective Action Plan:

New GASB pronouncements will be carefully considered before implementation, especially early implementation. Further, the county will explore leaving open items in draft form until all issues have been resolved. In addition, the County will allow additional time for the internal review process in order to detect and prevent errors. One example will be the expanded use of reasonableness considerations where possible. The County and the advisor will prepare expected reporting totals based on a combination of previous year amounts, current year known events, published data and other context to help validated reported line items in the combining schedules and basic financial statements.

Anticipated Completion Date:

Corrective actions have either already been implemented or are tasked for completion before the 2020 audit.

Robin M. Mills

Auditor

08/1/20

Robin M. Mills

Hamilton County Auditor



33 North Ninth Street, Suite L21

Noblesville, Indiana 46060

CORRECTIVE ACTION PLAN

FINDING 2019-002

Contact Person Responsible for Corrective Action: Robin M. Mills

Contact Phone Number: (317) 770-4424

Views of Responsible Official:

Our outside vendor did not prepare the SEFA but was available to the County for questions. Although the types of findings presented are similar to previous years, these are new awards and new situations. The County did implement more procedures to improve SEFA reporting and correct previous findings.

Description of Corrective Action Plan:

The County continues to work with departments and elected officials to properly account and report for expenditures of federal awards, use correct CDFA codes and ensure all transactions are properly reported. This is an ongoing process and we have extended the corrective action plan implementation until 2020. Hamilton County Grant Administrator has updated and amended the workpapers for preparing the SEFA. Elements of our plan will include continued SEFA training from a qualified instructor in 2020.

Anticipated Completion Date:

Corrective actions have either already been implemented or are tasked for completion before the 2020 audit.

Robin M. Mills

Auditor

08/10/2020

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/>.