

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

HENDRICKS COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
12/14/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Nancy L. Marsh	01-01-17 to 12-31-20
County Treasurer	Shawn Shelley	01-01-17 to 12-31-20
Clerk of the Circuit Court	Debbie Hoskins	01-01-13 to 12-31-20
County Sheriff	Brett Clark	01-01-15 to 12-31-18
County Recorder	Theresa D. Lynch	01-01-15 to 12-31-18
President of the Board of County Commissioners	Matthew D. Whetstone	01-01-17 to 12-31-18
President of the County Council	Eric Wathen	01-01-17 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDIANAPOLIS, INDIANA 46204-2769

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TO: THE OFFICIALS OF HENDRICKS COUNTY, INDIANA

This report is supplemental to our audit report of Hendricks County (County), for the period from January 1, 2017 to December 31, 2017. 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 Findings, identified in the above referenced audit report, are included in this report.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

October 30, 2018

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COUNTY AUDITOR
HENDRICKS COUNTY

COUNTY AUDITOR
HENDRICKS COUNTY
FEDERAL FINDINGS

FINDING 2017-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition

There were deficiencies in the internal control system of the County related to financial transactions and reporting. The County had not implemented adequate segregation of duties, as it had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial reporting.

Cash and Investments - Treasurer and Clerk of the Circuit Court

One individual prepared the bank reconciliations without a documented oversight or review process.

Receipts and Disbursements Including Federal Transactions

On a monthly basis, the departments were emailed reports that detailed receipts and disbursements for the month. Departments were expected to review the amounts received to and disbursed from their funds, including federal transactions, to ensure that the amounts were posted to the correct fund. The County did not have documentation to support the departments' review of these transactions.

Disbursements - Clerk of the Circuit Court

One individual printed the checks, reviewed the checks for errors, and mailed the checks. This individual also had the ability to make adjustments in the financial accounting system without oversight or review.

Reporting - Clerk of the Circuit Court

One individual prepared the Supplemental County Annual Report for the Clerk of the Circuit Court's office, which was the basis for the amounts reported in the financial statement for that office. A proper system of oversight and review was not established.

Context

The lack of controls was a systemic issue 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:

COUNTY AUDITOR
HENDRICKS COUNTY
FEDERAL FINDINGS
(Continued)

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Cause

Management of the County had not established a proper system of internal controls that segregated key functions.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

Recommendation

We recommended that the County's management establish a system of internal controls to ensure that cash and investments, receipts, and disbursements, including federal transactions, are properly recorded and reported.

Views of Responsible Officials

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

FINDING 2017-002

Subject: Formula Grants for Rural Areas - Subrecipient Monitoring
Federal Agency: Department of Transportation
Federal Program: Formula Grants for Rural Areas
CFDA Number: 20.509
Federal Award Number and Year (or Other Identifying Number): INDOT #18035430/1803543C
Pass-Through Entity: Indiana Department of Transportation
Compliance Requirement: Subrecipient Monitoring
Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the County related to the grant agreement and the Subrecipient Monitoring compliance requirement.

COUNTY AUDITOR
HENDRICKS COUNTY
FEDERAL FINDINGS
(Continued)

The County passed the federal financial assistance received on to a subrecipient who purchased equipment and provided transit services. The County had not developed or implemented an internal control system to ensure compliance with subrecipient monitoring requirements.

The County did not comply with the subrecipient monitoring requirement that it clearly identify the subaward and all federal requirements of the award to the subrecipient. The subrecipient grant agreement did not provide information related to the grant and the applicable compliance requirements to the sub-grantee.

The County also did not comply with the requirement to ensure that its subrecipients complied with all federal requirements of the program. The County required the subrecipient to submit claims for reimbursement of costs incurred and paid by the subrecipient; however, only one of the five claims for reimbursement had supporting documentation attached. Vendor invoices, canceled checks, financial reports, audit reports, receipts, and management representations were not required by or provided to the County by the subrecipient. Because the County did not ensure that the subrecipient complied with the applicable federal requirements, \$566,410 of the amount passed through was considered questioned costs.

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.328(a) states:

"Monitoring by the non-Federal entity. The non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function or activity. See also § 200.331 Requirements for pass-through entities."

2 CFR 200.331 states in part:

"All pass-through entities must:

- (a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward . . . Required information includes: . . .

COUNTY AUDITOR
HENDRICKS COUNTY
FEDERAL FINDINGS
(Continued)

(2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award; . . .

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

- (1) Reviewing financial and performance reports required by the pass-through entity.
- (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means. . . ."

Cause

The County's management had not developed a system of internal controls that would have ensured compliance with the subrecipient monitoring requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the subrecipient monitoring requirements could have resulted in the loss of federal funds to the County.

Questioned Costs

Questioned costs of \$566,410 were identified, as detailed in the *Condition*.

Recommendation

We recommended that the County's management establish an effective control system to ensure compliance and comply with the grant agreement and the Subrecipient Monitoring compliance requirement.

Views of Responsible Officials

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



Hendricks County Auditor

Nancy L. Marsh
355 S Washington St #202
Danville, IN 46122-1759
317-745-9300
(Fax) 317-745-9389

October 26, 2019

CORRECTIVE ACTION PLAN

FINDING - 2017-001

Contact Person Responsible for Corrective Action: Nancy L. Marsh, Auditor
Contact Phone Number: 317-745-9315

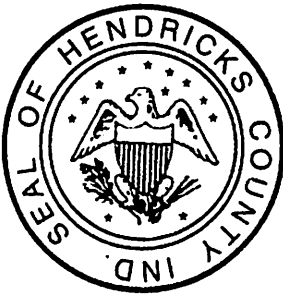
I accept but do not agree with the Field Examiner's Finding 2017-001. There is no method, prescribed by the State Board of Accounts, to document a department has reviewed its reports presented by the Hendricks County Auditor. I will have the Commissioner's adopt an amendment to our current Internal Control policy of emailing monthly detailed receipts and disbursements reports to each department will require a "Read" receipt from each recipient acknowledging they have read and reviewed the report.

Additionally, Hendricks County will reach out to our software vendor to request an enhancement to the financial system where an electronic check mark confirmation can be made available for departments create documentation that they have reviewed their financial reports for errors and omissions.

Anticipated completion date: December 15, 2018.

Respectfully,

Nancy L. Marsh, Hendricks County Auditor



Hendricks County Auditor

Nancy L. Marsh
355 S Washington St #202
Danville, IN 46122-1759
317-745-9300
(Fax) 317-745-9389

October 26, 2018

CORRECTIVE ACTION PLAN

Section III - Federal Award Findings and Questioned Costs

Finding 2017-002

Subject: Formula Grants for Rural Areas - Subrecipient Monitoring

Federal Agency: Department of Transportation

Federal Program: Formula Grants for Rural Areas

CFDA Number: 20.509

Federal Award Number and Year: INDOT#18035430/7803543C

Pass-Through Entity: Indiana Department of Transportation

Compliance Requirement: Subrecipient Monitoring

Audit Findings: Material Weakness, Modified Opinion

Contact Person Responsible for Corrective Action: Nancy Marsh, Auditor

Contact Phone Number: 317-745-9315

Hendricks County accepts Finding 2017-002 Federal Award Finding and Questioned Costs.

The Corrective Action Plan put in place by Hendricks County will better monitor the public transportation grant from the U.S. Department of Transportation passed through to the Sycamore Services, Inc. and Senior Services. This grant provides public transportation services in Hendricks County and Morgan County.

1. Sycamore Services has been requested to immediately provide the 2017 and 2018 supporting documentation for funds expended from the above grant. The 2017 questioned costs will be resolved upon receipt from Sycamore Services of the 2017 invoices.
2. A representative from Sycamore Services will make a semi-annual presentation to the Hendricks County Commissioners on the activities associated with accomplishing the public transportation goals established by the grant.

3. Sycamore Services will provide to the Hendricks County Auditor complete supporting documentation of the claim vouchers, their quarterly reports and any other information as it is submitted to the Indiana Department of Transportation for payment of LINK grant funds. The Auditor will provide the documentation to the Hendricks County Commissioners for approval and signature. Before disbursement of the LINK grant funds to Sycamore Services, the Auditor will review the provided documentation to determine that the funds have been used for the purposes intended.
4. Sycamore Services will provide the Hendricks County Auditor and the Hendricks County Commissioners copies of their annual audit. The Hendricks County Auditor and the Hendricks County Commissioners will review each audit and seek corrective action on each finding that involves LINK.
5. Hendricks County will ensure that every subaward is clearly identified that all requirements imposed by the pass-through entity on the subrecipient so that the Federal Award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal Award.
6. Hendricks County will monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with the Federal Statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Hendricks County will review financial and programmatic reports required by the pass-through entity and will follow up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal Award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews and other means.

Anticipated Completion Date: December 1, 2018

Respectfully submitted,



Matthew D. Whetstone, President
Hendricks County Board of Commissioners



Nancy L. Marsh, Hendricks County Auditor

COUNTY AUDITOR
HENDRICKS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2018, with Bob Gentry, County Commissioner; Nancy L. Marsh, County Auditor; Shawn Shelley, County Treasurer; Debbie Hoskins, Clerk of the Circuit Court; Tamela Mitchell, Financial Administrator; Cinda Kattau, Grant Administrator; and Larry Hesson, County Council member.

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BOARD OF COUNTY COMMISSIONERS
HENDRICKS COUNTY

BOARD OF COUNTY COMMISSIONERS
HENDRICKS COUNTY
FEDERAL FINDING

FINDING 2017-002

Subject: Formula Grants for Rural Areas - Subrecipient Monitoring
Federal Agency: Department of Transportation
Federal Program: Formula Grants for Rural Areas
CFDA Number: 20.509
Federal Award Number and Year (or Other Identifying Number): INDOT #18035430/1803543C
Pass-Through Entity: Indiana Department of Transportation
Compliance Requirement: Subrecipient Monitoring
Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the County related to the grant agreement and the Subrecipient Monitoring compliance requirement.

The County passed the federal financial assistance received on to a subrecipient who purchased equipment and provided transit services. The County had not developed or implemented an internal control system to ensure compliance with subrecipient monitoring requirements.

The County did not comply with the subrecipient monitoring requirement that it clearly identify the subaward and all federal requirements of the award to the subrecipient. The subrecipient grant agreement did not provide information related to the grant and the applicable compliance requirements to the sub-grantee.

The County also did not comply with the requirement to ensure that its subrecipients complied with all federal requirements of the program. The County required the subrecipient to submit claims for reimbursement of costs incurred and paid by the subrecipient; however, only one of the five claims for reimbursement had supporting documentation attached. Vendor invoices, canceled checks, financial reports, audit reports, receipts, and management representations were not required by or provided to the County by the subrecipient. Because the County did not ensure that the subrecipient complied with the applicable federal requirements, \$566,410 of the amount passed through was considered questioned costs.

Context

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

Criteria

2 CFR 200.303 states in part:

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BOARD OF COUNTY COMMISSIONERS
HENDRICKS COUNTY
FEDERAL FINDING
(Continued)

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(2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award; . . .

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

(1) Reviewing financial and performance reports required by the pass-through entity.

(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means. . . ."

Cause

The County's management had not developed a system of internal controls that would have ensured compliance with the subrecipient monitoring requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the subrecipient monitoring requirements could have resulted in the loss of federal funds to the County.

Questioned Costs

Questioned costs of \$566,410 were identified, as detailed in the *Condition*.

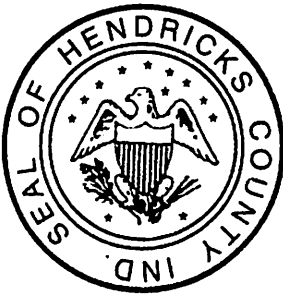
BOARD OF COUNTY COMMISSIONERS
HENDRICKS COUNTY
FEDERAL FINDING
(Continued)

Recommendation

We recommended that the County's management establish an effective control system to ensure compliance and comply with the grant agreement and the Subrecipient Monitoring compliance requirement.

Views of Responsible Officials

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



Hendricks County Auditor

Nancy L. Marsh
355 S Washington St #202
Danville, IN 46122-1759
317-745-9300
(Fax) 317-745-9389

October 26, 2018

CORRECTIVE ACTION PLAN

Section III - Federal Award Findings and Questioned Costs

Finding 2017-002

Subject: Formula Grants for Rural Areas - Subrecipient Monitoring

Federal Agency: Department of Transportation

Federal Program: Formula Grants for Rural Areas

CFDA Number: 20.509

Federal Award Number and Year: INDOT#18035430/7803543C

Pass-Through Entity: Indiana Department of Transportation

Compliance Requirement: Subrecipient Monitoring

Audit Findings: Material Weakness, Modified Opinion

Contact Person Responsible for Corrective Action: Nancy Marsh, Auditor

Contact Phone Number: 317-745-9315

Hendricks County accepts Finding 2017-002 Federal Award Finding and Questioned Costs.

The Corrective Action Plan put in place by Hendricks County will better monitor the public transportation grant from the U.S. Department of Transportation passed through to the Sycamore Services, Inc. and Senior Services. This grant provides public transportation services in Hendricks County and Morgan County.

1. Sycamore Services has been requested to immediately provide the 2017 and 2018 supporting documentation for funds expended from the above grant. The 2017 questioned costs will be resolved upon receipt from Sycamore Services of the 2017 invoices.
2. A representative from Sycamore Services will make a semi-annual presentation to the Hendricks County Commissioners on the activities associated with accomplishing the public transportation goals established by the grant.

3. Sycamore Services will provide to the Hendricks County Auditor complete supporting documentation of the claim vouchers, their quarterly reports and any other information as it is submitted to the Indiana Department of Transportation for payment of LINK grant funds. The Auditor will provide the documentation to the Hendricks County Commissioners for approval and signature. Before disbursement of the LINK grant funds to Sycamore Services, the Auditor will review the provided documentation to determine that the funds have been used for the purposes intended.
4. Sycamore Services will provide the Hendricks County Auditor and the Hendricks County Commissioners copies of their annual audit. The Hendricks County Auditor and the Hendricks County Commissioners will review each audit and seek corrective action on each finding that involves LINK.
5. Hendricks County will ensure that every subaward is clearly identified that all requirements imposed by the pass-through entity on the subrecipient so that the Federal Award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal Award.
6. Hendricks County will monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with the Federal Statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Hendricks County will review financial and programmatic reports required by the pass-through entity and will follow up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal Award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews and other means.

Anticipated Completion Date: December 1, 2018

Respectfully submitted,



Matthew D. Whetstone, President
Hendricks County Board of Commissioners



Nancy L. Marsh, Hendricks County Auditor

BOARD OF COUNTY COMMISSIONERS
HENDRICKS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2018, with Bob Gentry, County Commissioner; Nancy L. Marsh, County Auditor; Shawn Shelley, County Treasurer; Debbie Hoskins, Clerk of the Circuit Court; Tamela Mitchell, Financial Administrator; Cinda Kattau, Grant Administrator; and Larry Hesson, County Council member.

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CLERK OF THE CIRCUIT COURT
HENDRICKS COUNTY

CLERK OF THE CIRCUIT COURT
HENDRICKS COUNTY
FEDERAL FINDING

FINDING 2017-001

Subject: Financial Transactions and Reporting

Audit Finding: Material Weakness

Condition

There were deficiencies in the internal control system of the County related to financial transactions and reporting. The County had not implemented adequate segregation of duties, as it had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial reporting.

Cash and Investments - Treasurer and Clerk of the Circuit Court

One individual prepared the bank reconciliations without a documented oversight or review process.

Receipts and Disbursements Including Federal Transactions

On a monthly basis, the departments were emailed reports that detailed receipts and disbursements for the month. Departments were expected to review the amounts received to and disbursed from their funds, including federal transactions, to ensure that the amounts were posted to the correct fund. The County did not have documentation to support the departments' review of these transactions.

Disbursements - Clerk of the Circuit Court

One individual printed the checks, reviewed the checks for errors, and mailed the checks. This individual also had the ability to make adjustments in the financial accounting system without oversight or review.

Reporting - Clerk of the Circuit Court

One individual prepared the Supplemental County Annual Report for the Clerk of the Circuit Court's office, which was the basis for the amounts reported in the financial statement for that office. A proper system of oversight and review was not established.

Context

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

CLERK OF THE CIRCUIT COURT
HENDRICKS COUNTY
FEDERAL FINDING
(Continued)

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 controls that segregated key functions.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

Recommendation

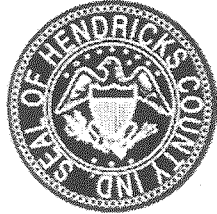
We recommended that the County's management establish a system of internal controls to ensure that cash and investments, receipts, and disbursements, including federal transactions, are properly recorded and reported.

Views of Responsible Officials

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

Clerk of the Circuit and Superior Courts

Hendricks County Courthouse



CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Debbie (DJ) Hoskins, Clerk of Courts

Contact Phone Number: (317) 745-9388

Description of Corrective Action Plan:


October 15, 2018, Hendricks County Clerk's Office was undergoing its 2017 Audit, and received recommendations regarding Internal Controls Policy and Procedure.

On October 15, 2018, Hendricks County Clerk's Office did make corrections to their Internal Controls Policy and Procedure.

Therefore, Corrective Action Plan was completed on October 15, 2018.

Anticipated Completion Date: Completed on October 15, 2018

October 26, 2018


Debbie (DJ) Hoskins
Clerk of Courts

CLERK OF THE CIRCUIT COURT
HENDRICKS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2018, with Bob Gentry, County Commissioner; Nancy L. Marsh, County Auditor; Shawn Shelley, County Treasurer; Debbie Hoskins, Clerk of the Circuit Court; Tamela Mitchell, Financial Administrator; Cinda Kattau, Grant Administrator; and Larry Hesson, County Council member.

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COUNTY TREASURER
HENDRICKS COUNTY

COUNTY TREASURER
HENDRICKS COUNTY
FEDERAL FINDING

FINDING 2017-001

Subject: Financial Transactions and Reporting

Audit Finding: Material Weakness

Condition

There were deficiencies in the internal control system of the County related to financial transactions and reporting. The County had not implemented adequate segregation of duties, as it had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial reporting.

Cash and Investments - Treasurer and Clerk

One individual prepared the bank reconciliations without a documented oversight or review process.

Receipts and Disbursements Including Federal Transactions

On a monthly basis, the departments were emailed reports that detailed receipts and disbursements for the month. Departments were expected to review the amounts received to and disbursed from their funds, including federal transactions, to ensure that the amounts were posted to the correct fund. The County did not have documentation to support the departments' review of these transactions.

Disbursements - Clerk

One individual printed the checks, reviewed the checks for errors, and mailed the checks. This individual also had the ability to make adjustments in the financial accounting system without oversight or review.

Reporting - Clerk

One individual prepared the Supplemental County Annual Report for the Clerk of the Circuit Court's office, which was the basis for the amounts reported in the financial statement for that office. A proper system of oversight and review was not established.

Context

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

COUNTY TREASURER
HENDRICKS COUNTY
FEDERAL FINDING
(Continued)

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:

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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 controls that segregated key functions.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

Recommendation

We recommended that the County's management establish a system of internal controls to ensure that cash and investments, receipts, and disbursements, including federal transactions, are properly recorded and reported.

Views of Responsible Officials

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

Hendricks County Treasurer

Shawn M Shelley
355 South Washington Street #215
Danville, IN 46122-1759
317-745-9220
(Fax) 317-745-9325

CORRECTIVE ACTION PLAN

FINDING 2017-001

Shawn Shelley, Hendricks County Treasurer
Contact Number: (317)745-9324

Views of Responsible Official:

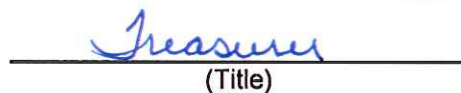
I, Shawn Shelley, accept the finding found by SBOA for the 2017 Audit regarding the bank reconciliations and has implemented the following Corrective Action Plan for 2018.

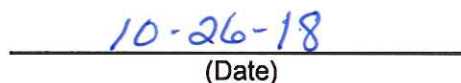
Description of Corrective Action Plan:

The Chief Deputy will daily input the previous days collections. At the end of each month the Treasurer will reconcile the bank statements. The Treasurer and the Chief Deputy will both review all bank statements once reconciled and initial the reconciliation sheet and date.

Anticipated Completion Date: October 26, 2018


(Signature)


(Title)


(Date)

COUNTY TREASURER
HENDRICKS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2018, with Bob Gentry, County Commissioner; Nancy L. Marsh, County Auditor; Shawn Shelley, County Treasurer; Debbie Hoskins, Clerk of the Circuit Court; Tamela Mitchell, Financial Administrator; Cinda Kattau, Grant Administrator; and Larry Hesson, County Council member.