

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WAYNE COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
07/10/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Karen L. Stevens	01-01-11 to 12-31-14
Treasurer	Cathy Williams	01-01-13 to 12-31-16
Clerk	Jo Ann Stewart Debra Berry	01-01-13 to 12-31-13 01-01-14 to 12-31-16
Sheriff	Jeff Cappa	01-01-11 to 12-31-14
Recorder	Debra S. Tieman	01-01-11 to 12-31-14
President of the Board of County Commissioners	Dennis A. Burns	01-01-13 to 12-31-14
President of the County Council	Jeffrey C. Plasterer	01-01-13 to 12-31-14



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

TO: THE OFFICIALS OF WAYNE COUNTY, INDIANA

This report is supplemental to our audit report of Wayne County (County), for the period from January 1, 2013 to December 31, 2013. 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

May 7, 2014

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COUNTY AUDITOR
WAYNE COUNTY

COUNTY AUDITOR
WAYNE COUNTY
FINANCIAL STATEMENT FINDING

***FINDING 2013-001 - INTERNAL CONTROLS OVER PREPARATION
OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The County did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The County should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: grants with federal expenditures which were not included in the SEFA, grants with no federal expenditures were included in the SEFA with incorrect expenditure amounts, state grant expenditures included as federal, and grants with expenditures which were reported with incorrect expenditure amounts. Audit adjustments in the amount of \$428,104 were proposed, accepted by the County, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

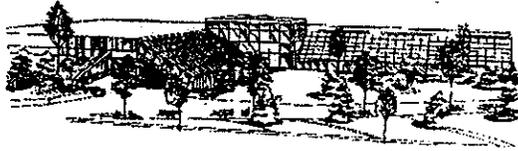
OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

COUNTY AUDITOR
WAYNE COUNTY
FINANCIAL STATEMENT FINDING
(Continued)

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. 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 award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual 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 shall 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.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."



Karen L. Stevens
Auditor of Wayne County
Diana Osborne
Chief Deputy Auditor
County Administration Building
<http://www.co.wayne.in.us/>

401 East Main Street
Richmond, IN 47374

Phone: 765-973-9317
Fax: 765-973-9339

April 23, 2014

Corrective Action Plan

Finding 2013-001 Internal controls over preparation of the Schedule of Federal Awards

Karen Stevens
765-973-9318
Completion date: 4-23-2014

Correction actions:

1. Review all EFT notices for CFDA numbers and track on a spreadsheet
2. Double check current grants with those reported on previous year's audit
3. Send memo at year end to departments with grants to be sure all federal grants are accounted for and note if they are 100% federal or part state and part federal
4. Have a second person (Auditor or Chief Deputy) double check end of year report and initial or sign off on report

Karen L. Stevens
Wayne County Auditor

COUNTY AUDITOR
WAYNE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 7, 2014, with Karen L. Stevens, Auditor; Jeffrey C. Plasterer, President of the County Council; and Dennis A. Burns, President of the Board of County Commissioners.

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COUNTY IV-D COURT
WAYNE COUNTY

COUNTY IV-D COURT
WAYNE COUNTY
FEDERAL FINDING

***FINDING 2013-002 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS
THAT HAVE A DIRECT AND MATERIAL EFFECT TO CHILD SUPPORT ENFORCEMENT***

Federal Agency: U.S. Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year (or Other Identifying Number): FY2013
Pass-Through Entity: Indiana Department of Child Services

Management of the County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Allowable Costs/Cost Principles, Cash Management, and Reporting. Reimbursement requests for Clerk's Office IV-D expenditures were prepared by a consulting company. The Clerk or a member of the Clerk's staff signed the requests without verifying the accuracy of the reimbursement requests. Reimbursement requests for Prosecutor IV-D expenditures were not always reviewed and approved by someone other than the person preparing the reimbursement requests. Reimbursement requests for the IV-D Court expenditures were prepared from calculated payroll and benefit figures calculated at the beginning of the year and were not supported by proper documentation or appropriation reports which resulted in 11 of the 12 reimbursement reports containing errors. The total amount claimed for reimbursement in excess of amounts charged to the program and supported by appropriation reports was \$4,521.11. The failure to establish an effective internal control system places the County at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

COUNTY IV-D COURT
WAYNE COUNTY
FEDERAL FINDING
(Continued)

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

45 CFR 92.20 Standards for financial management systems states in part:

"(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the County.

We recommended that the County's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements noted above that have a direct and material effect to the program.

CORRECTIVE ACTION PLAN

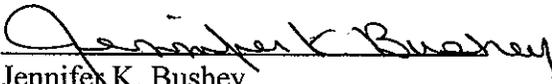
Finding Number 2013-002 INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO CHILD SUPPORT ENFORCEMENT

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Child Support Enforcement
CFDA Number:	93.563
Federal Award No. and Year (Or Other Identifying Number)	1204IN4005
Pass-Through Entity:	Indiana Department of Child Services
Contact Person:	Jennifer K. Bushey
Phone Number:	(765)973-9273/jenniferb@co.wayne.in.us

CORRECTIVE ACTION PLAN

In the past I have relied on figures given to me by personnel in the Auditor's Office. I have now ask the Auditor's Office to give me a copy of the monthly Appropriation Activity Report. I will use figures from this report to correctly prepare my monthly Expense Claim form for Title IV-D reimbursement. Commissioner, P. Thomas Snow will also review said form prior to submitting it to Judge Dolehanty for his signature.


P. Thomas Snow, Commissioner
Wayne County IV-D Court


Jennifer K. Bushey
Court Reporter

COUNTY IV-D COURT
WAYNE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 7, 2014, with P. Thomas Snow, IV-D Court Commissioner, and Jennifer Bushey, Court Reporter.

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COUNTY PROSECUTING ATTORNEY IV-D OFFICE
WAYNE COUNTY

COUNTY PROSECUTING ATTORNEY IV-D OFFICE
WAYNE COUNTY
FEDERAL FINDING

***FINDING 2013-002 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS
THAT HAVE A DIRECT AND MATERIAL EFFECT TO CHILD SUPPORT ENFORCEMENT***

Federal Agency: U.S. Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year (or Other Identifying Number): FY2013
Pass-Through Entity: Indiana Department of Child Services

Management of the County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Allowable Costs/Cost Principles, Cash Management, and Reporting. Reimbursement requests for Clerk's Office IV-D expenditures were prepared by a consulting company. The Clerk or a member of the Clerk's staff signed the requests without verifying the accuracy of the reimbursement requests. Reimbursement requests for Prosecutor IV-D expenditures were not always reviewed and approved by someone other than the person preparing the reimbursement requests. Reimbursement requests for the IV-D Court expenditures were prepared from calculated payroll and benefit figures calculated at the beginning of the year and were not supported by proper documentation or appropriation reports which resulted in 11 of the 12 reimbursement reports containing errors. The total amount claimed for reimbursement in excess of amounts charged to the program and supported by appropriation reports was \$4,521.11. The failure to establish an effective internal control system places the County at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

COUNTY PROSECUTING ATTORNEY IV-D OFFICE
WAYNE COUNTY
FEDERAL FINDING
(Continued)

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

45 CFR 92.20 Standards for financial management systems states in part:

"(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the County.

We recommended that the County's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements noted above that have a direct and material effect to the program.

CORRECTIVE ACTION PLAN

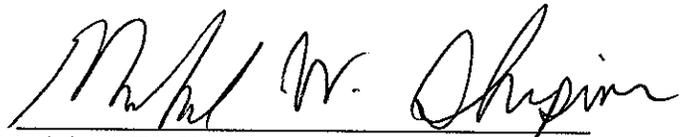
Finding Number 2013-002 INTERNAL CONTROLS OVER COMPLIANCE
REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO CHILD
SUPPORT ENFORCEMENT

Federal Agency: U.S. Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year: 1204IN4005
Pass-Through Entity: Indiana Department of Child Services
Contact Person: Staci Lane
Phone Number: (765) 973-9448

Reimbursement requests for Prosecutor's IV-D expenditures will always be reviewed and approved by someone other than the person preparing the reimbursement requests.



Staci A. Lane, Deputy Prosecuting Attorney



Michael W. Shipman, Prosecuting Attorney

COUNTY PROSECUTING ATTORNEY IV-D OFFICE
WAYNE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 7, 2014, with Michael W. Shipman, Prosecuting Attorney, and Staci A. Lane, Deputy Prosecuting Attorney.

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COUNTY CLERK
WAYNE COUNTY

COUNTY CLERK
WAYNE COUNTY
FEDERAL FINDING

***FINDING 2013-002 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS
THAT HAVE A DIRECT AND MATERIAL EFFECT TO CHILD SUPPORT ENFORCEMENT***

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COUNTY CLERK
WAYNE COUNTY
FEDERAL FINDING
(Continued)

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We recommended that the County's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements noted above that have a direct and material effect to the program.

CORRECTIVE ACTION PLAN

Finding Number 2013-002 INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO CHILD SUPPORT ENFORCEMENT

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Child Support Enforcement
CFDA Number:	93.563
Federal Award Number and Year (or Other Identifying Number):	1204IN4005
Pass-Through Entity:	Indiana Department of Child Services
Contact Person:	Jennifer Haskett-Wayne County Clerk's Office
Phone Number:	(765) 973-9461

Finding: Previously in 2013, the Clerk did not keep proof of review before approval of reimbursement requests of IV-D expenditures prepared by the consulting company, Maximus.

Corrective Action Plan: We now currently request the supporting documentation used by Maximus to prepare our reimbursement requests. The claim is reviewed for accuracy of information and calculation before approval. The supporting documentation is retained with monthly reimbursement requests of IV-D expenditures.



SIGNATURE OF OFFICIAL

5-7-14

COUNTY CLERK
WAYNE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 7, 2014, with Debra Berry, Clerk, and Jennifer Haskett, Chief Deputy Clerk.