

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WABASH COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
01/13/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Linda L. Conrad	01-01-13 to 12-31-16
County Treasurer	Sharon K. Shaw	01-01-13 to 12-31-16
Clerk of the Circuit Court	Elaine J. Martin	01-01-15 to 12-31-18
County Sheriff	Robert E. Land	01-01-15 to 12-31-18
County Prosecutor	William C. Hartley, Jr.	01-01-15 to 12-31-18
County Recorder	Lori J. Draper	01-01-15 to 12-31-18
President of the Board of County Commissioners	Brian K. Haupert Barry J. Eppley	01-01-15 to 12-31-15 01-01-16 to 12-31-16
President of the County Council	Michael B. Ridenour	01-01-15 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF WABASH COUNTY, INDIANA

This report is supplemental to our audit report of Wabash County (County), for the period from January 1, 2015 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

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

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

November 29, 2016

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COUNTY AUDITOR
WABASH COUNTY

COUNTY AUDITOR
WABASH COUNTY
FEDERAL FINDINGS

FINDING 2015-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

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

There were the following errors:

1. Bulletproof Vest Partnership Program expenditures were understated by \$574.
2. Highway Planning and Construction Cluster expenditures were understated by \$5,124.
3. Bus and Bus Facilities Formula Program expenditures were understated by \$27,410.
4. State and Community Highway Safety expenditures were overstated by \$8.
5. ARRA Formula Grants for Rural Areas expenditures were understated by \$93,380.
6. Formula Grants for Rural Areas expenditures were overstated by \$228,728.
7. Expenditures totaling \$428 were included in the SEFA by error.
8. Child Support Enforcement expenditures were understated by \$239,200.
9. Several program titles and program identifying numbers were not included.

Audit adjustments were proposed, accepted by the County, and made to the SEFA.

Criteria

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 County Auditors of Indiana, Chapter 14)

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. . . ."

COUNTY AUDITOR
WABASH COUNTY
FEDERAL FINDINGS
(Continued)

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a proper system of internal control that would have ensured proper reporting of the SEFA.

Effect

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

Views of Responsible Officials

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

COUNTY AUDITOR
WABASH COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2015-002 - FINANCIAL TRANSACTIONS AND REPORTING - COUNTY AUDITOR

Condition

There were several deficiencies in the internal control system of the County Auditor related to financial transactions and reporting. The following deficiencies constitute material weaknesses.

Preparing Financial Statements: The County Auditor had not identified risks to the preparation of a reliable financial statement and, as a result, had failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement. There were no controls in place to ensure the accuracy prior to submitting the financial statement.

Monitoring of Controls: An evaluation of the County's system of internal control had not been conducted. Additionally, the County had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the County to monitor and assess the quality of the system of internal control.

Criteria

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 County Auditors of Indiana, Chapter 14)

Cause

Management of the County had not established a proper system of internal control. An evaluation of the County's system of internal control had not been conducted. Management had not conducted a risk assessment related to the County's financial reporting and transactions.

Effect

The failure to establish a proper system of internal controls could have enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

Views of Responsible Officials

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

COUNTY AUDITOR
WABASH COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2015-005 - INTERNAL CONTROL OVER FORMULA GRANTS FOR RURAL AREAS

Federal Agency: Department of Transportation

Federal Program: Formula Grants for Rural Areas

CFDA Number: 20.509

Federal Award Numbers and Years or Other Identifying Numbers: A249-14-320497, A249-14-320436,
A249-15-320498

Pass-Through Entity: Indiana Department of Transportation

This is a repeat finding from the immediate prior year. The prior year finding number was 2014-005.

Condition

Management of the County had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Subrecipient Monitoring compliance requirement. The following deficiency constituted a material weakness.

The County passed through Formula Grants for Rural Areas funds to a subrecipient but did not monitor the activities of the subrecipient as necessary to ensure that federal awards were used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements.

Context

The County did not have adequate controls in place to comply with the Subrecipient Monitoring requirement of the Formula Grants for Rural Areas program.

Criteria

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

COUNTY AUDITOR
WABASH COUNTY
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed an effective system of internal controls that segregated key functions.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls related to 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.

FINDING 2015-007 - INTERNAL CONTROL OVER CHILD SUPPORT ENFORCEMENT

Federal Agency: Department of Health and Human Services

Federal Program: Child Support Enforcement

CFDA Number: 93.563

Federal Award Number and Year (or Other Identifying Number): 2015

Pass-Through Entity: Indiana Department of Child Services

This is a repeat finding from the immediate prior year. The prior year finding number was 2014-009.

Condition

Management had not established an effective internal control system to ensure the reliability and accuracy of data used in determining the indirect costs that were charged to the program. The County hired an outside consultant to prepare their indirect cost allocation plan. The consultant submitted the plan to the Indiana Department of Child Services for the reimbursement of the indirect costs for the County. The County had not established verifiable controls or procedures for ensuring that the cost allocation plan is accurate, by at a minimum, ensuring that the amounts included in the cost allocation plan were the correct amounts from the prior's year's financial statement. Controls were not established to monitor the consultant's report.

COUNTY AUDITOR
WABASH COUNTY
FEDERAL FINDINGS
(Continued)

Context

The County did not have adequate controls in place to comply with the Allowable Costs/Cost Principal requirement of the Child Support Enforcement program.

Criteria

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed an effective system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed 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 have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

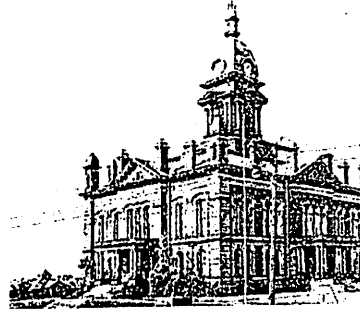
We recommended that the County's management establish controls related to the grant agreement and the Allowable Costs/Cost Principal compliance requirement.

Views of Responsible Officials

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

**Wabash County Auditor
Linda L Conrad**

One West Hill Street
Wabash, Indiana 46992
Phone (260) 563-0661, Ext.1222
Fax (260) 563-7910
lconrad@wabashcounty.in.gov



Corrective Action Plan

Finding 2015-001

2016

Contact Person Responsible for Corrective Action:

Linda L Conrad, Wabash County Auditor

Contact Phone # 260-563-0221

We concur with the finding.

Description of Corrective Action Plan:

The Schedule of Expenditures of Federal (SEFA) is completed by a Deputy Auditor and reviewed by another Deputy Auditor to verify the supporting documentation is correctly submitted. Internal controls are in place to prevent, detect and correct errors on the SEFA report will include verification of accuracy signature and date by a Deputy Auditor and another Deputy Auditor on the documentation prior to submitting the SEFA report on the Gateway reporting system.

Anticipated completion date:

Start the implementation immediately,

Linda L. Conrad

Signature

Auditor

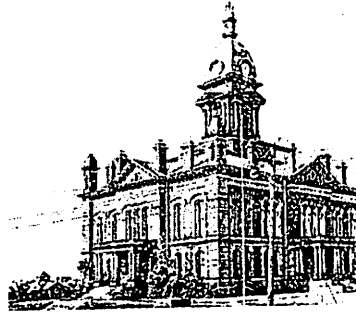
Title

November 17, 2016

Date

**Wabash County Auditor
Linda L Conrad**

One West Hill Street
Wabash, Indiana 46992
Phone (260) 563-0661, Ext.1222
Fax (260) 563-7910
lconrad@wabashcounty.in.gov



Corrective Action Plan

Finding 2015-002

2016

Contact Person Responsible for Corrective Action:

Linda L Conrad, Wabash County Auditor

Contact Phone # 260-563-0221

We concur with the finding.

Description of Corrective Action Plan:

Although we take every effort in our power to do everything correctly, there is always room for improvement. The Financial report is implemented by several Deputy Auditors according to duties performed in the office. The Deputy submits the information in to the Gateway System and is reviewed by fellow Deputy Auditor's to verify the supporting documentation is correctly submitted. Internal controls are in place to prevent, detect and correct errors to the Financial Report will include verification of accuracy, signature and date by the Auditor when submission is completed.

Anticipated completion date:

January 2, 2017

Signature

Title

Date

Wabash County Board Of Commissioners
One West Hill Street, Suite 102
Wabash, IN 46992

CORRECTIVE ACTION PLAN

Finding 2015-005

Contact Person Responsible for Corrective Action:

Barry J. Eppley, Wabash County Commissioner

Linda L Conrad, Wabash County Auditor

Contact Phone # 260-563-0221

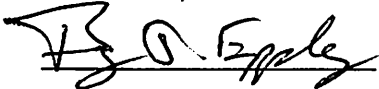
We concur with the finding.

Descriptive of Corrective Plan:

With the continuing quarterly visits to the Commissioners meetings by the Transit Department, the Commissioner are requesting detailed documentation of how these monies are being spent.

Anticipated Completion date:

Immediately



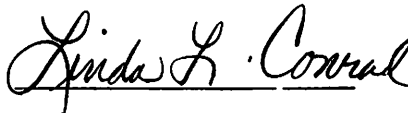
Signature

President Commissioners

Title

11-21-16

Date



Signature

Auditor

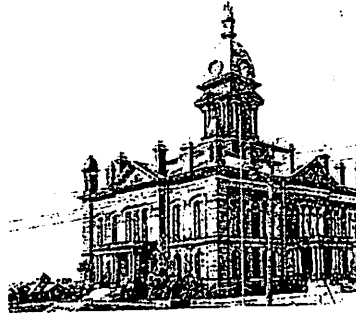
Title

November 17, 2016

Date

**Wabash County Auditor
Linda L Conrad**

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Wabash, Indiana 46992
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Corrective Action Plan

Finding 2015-007

2016

Contact Person Responsible for Corrective Action:

Linda L Conrad, Wabash County Auditor

Contact Phone # 260-563-0221

We concur with the finding.

Description of Corrective Action Plan::

The County contracts an outside consultant to prepare the indirect cost allocation program. The Auditor's Office supplies the company with reports in which they derive their information for reimbursement. Moving forward the Auditors' Office will ask for reports from the Consultant to explain where they get the information and how they derive at the percentages of reimbursement they are requesting for the County from IDCS.

Anticipated completion date:

January 2, 2017

Linda L. Conrad

Signature

Auditor

Title

November 17, 2016

Date

COUNTY AUDITOR
WABASH COUNTY
AUDIT RESULT AND COMMENT

PRESCRIBED FORMS

Wabash County did not use the prescribed Form 127CE nor did they request approval for an alternative form in lieu of the prescribed form. The Indiana State Board of Accounts was responsible for prescribing and/or approving the accounting forms/records for all governmental units.

Wabash County did not use the Department of Local Government Finance (DLGF) prescribed Form 133. The DLGF was responsible for prescribing and/or approving the accounting forms/records for governmental units.

A similar comment appeared in prior report for year ending December 31, 2014.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
WABASH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 29, 2016, with Linda L. Conrad, County Auditor; Barry J. Eppley, President of the County Commissioners; and Michael B. Ridenour, President of the County Council.

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COUNTY TREASURER
WABASH COUNTY

COUNTY TREASURER
WABASH COUNTY
FEDERAL FINDING

FINDING 2015-003 - FINANCIAL TRANSACTIONS AND REPORTING - COUNTY TREASURER

Condition

There were deficiencies in the internal control system of the County Treasurer related to financial transactions and reporting. The following deficiencies constitute material weaknesses.

Lack of Segregation of Duties: The County Treasurer had not separated incompatible activities related to cash and investments. Bank account reconciliations were completed for individual bank accounts; however, there were no controls to ensure the bank reconciliations were completed consistently and timely.

Criteria

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 County Treasurers of Indiana, Chapter 10)

Cause

Management of the County had not established a proper system of internal control. An evaluation of the County's system of internal control had not been conducted. Management had not conducted a risk assessment related to the County's financial reporting and transactions.

Effect

The failure to establish a proper system of internal controls could have enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

Views of Responsible Officials

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

Wabash County Treasurer
1 W Hill Street Suite 104
Wabash, IN 46992
Sharon K. Shaw, Treasurer
(260) 563-0661, ext. 1259
treasurer@wabashcounty.in.gov

CORRECTIVE ACTION PLAN

FINDING 2015-003

Contact Person Responsible for Corrective Action: Sharon K. Shaw
Contact Phone Number: (260) 563-0661, ext. 1259

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan: The monthly bank reconcilements are performed by the Deputy Treasurer. Upon her completion I, as Treasurer, also review the reconcilements when I prepare the County Treasurer's Monthly Report. In 2013 it was strongly suggested by State Board of Accounts that I have a council member review each monthly reconciliation and sign it. Each year each office has a council member liaison assigned to us. Each year I have asked my liaison to review the bank statements and reconciliations. The liaison is reviewing them but not on a monthly basis. He may come into my office and review two (2) or more months at a time. In the future this office will ask a council member that can assure us that he or she has the time to come in each month to review the reconcilements.

It was suggested by State Board of Accounts during the 2014 audit that was completed in 2016 that the Deputy Treasurer sign the bank statement after reconciling. This is being done now. As I stated in the corrective action plan for 2014 these controls would have been in place had I known. There are only two (2) employees in this office so there are many shared duties.

Anticipated Completion Date: Immediately

The Wabash County Treasurer's Internal Control Policy and Transaction Map for Receipting of Cash and Checks for Payments are available in the Wabash County Treasurer's Office for review.

Sharon L Shaw
Wabash County Treasurer
November 29, 2016

COUNTY TREASURER
WABASH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 29, 2016, with Sharon K. Shaw, County Treasurer; Barry J. Eppley, President of the Board of County Commissioners; and Michael B. Ridenour, President of the County Council.

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CLERK OF THE CIRCUIT COURT
WABASH COUNTY

CLERK OF THE CIRCUIT COURT
WABASH COUNTY
FEDERAL FINDING

FINDING 2015-004 - FINANCIAL TRANSACTIONS AND REPORTING - CLERK OF THE CIRCUIT COURT

Condition

There were the following deficiencies in the internal control system of the Clerk of the Circuit Court (Clerk) related to financial transactions and reporting. The following deficiencies constitute material weaknesses.

Lack of Segregation of Duties:

The Clerk had not separated incompatible activities related to cash and investments. There were no controls over the bank account reconciliations prepared by the Deputy Clerk.

The Clerk had not separated incompatible activities related to receipting. One Deputy Clerk was solely responsible for balancing the drawers each day, preparing the deposit slip, depositing the money in the bank, and occasionally completing the monthly bank reconciliation.

The Clerk had not separated incompatible activities related to disbursements. One Deputy Clerk was responsible for printing, signing (via stamp), and mailing checks from Computer Systems, Incorporated (CSI) twice a month. A separate Deputy Clerk was responsible for printing, signing (via stamp), and mailing checks for the Indiana Support Enforcement Tracking System (ISETS) on a daily basis. There were no controls to ensure the accuracy of the disbursements prior to mailing the checks.

Preparing Financial Statements: The Clerk had not identified risks to the preparation of a reliable financial statement and, as a result, had failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements. The Deputy Clerk was responsible for the preparation of the County Annual Report (CAR-1) which was submitted to the County Auditor for inclusion in the Financial Statement (Gateway Report). The Clerk's signature was stamped on the report but there were controls to ensure the accuracy of the CAR-1 prior to being submitted.

Monitoring of Controls: An evaluation of the Clerk's system of internal control had not been conducted. Additionally, the Clerk had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the County to monitor and assess the quality of the system of internal control.

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

Criteria

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 Clerks of the Circuit Courts of Indiana, Chapter 13)

Cause

Management of the County had not established a proper system of internal control. An evaluation of the County's system of internal control had not been conducted. Management had not conducted a risk assessment related to the County's financial reporting and transactions.

Effect

The failure to establish a proper system of internal controls could have enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

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 Wabash Circuit Court
Wabash County Judicial Center
69 West Hill Street
Wabash, Indiana 46992
Elaine J. Martin, Clerk
Phone (260) 563-0661 Fax: (260) 569-1352

CORRECTIVE ACTION PLAN

FINDING 2015-004

Contact Person Responsible for Corrective Action: Elaine J. Martin, Clerk
Contact Phone Number: 260-563-0661 x-1230

Views of Responsible Official: The findings by the SBOA for 2015 are almost identical with their findings for 2014, with no corrective action plan done by this office in between those two years since the SBOA conducted both audits at the same time.

This Clerk has been in the Wabash County Clerk's office since 1995 and will note that the practices of receipt of money and disbursements of checks have continued to be the same since 1995.

In January 2014 when I received approval from the Wabash County Council to add a second bookkeeper to the job description of one of the Deputy Clerks, many of the bookkeepers' responsibilities were shared. Unfortunately the bookkeepers fell into a habit of comfort and did not adequately continue the practice of "signing off" on their daily procedures, which the SBOA pointed out in the 2014 audit. That has now been corrected since the SBOA audit was completed in Oct 2016 for 2014.

The 2015-004 Finding, second paragraph under Lack of Segregation of Duties states that "one Deputy Clerk was solely responsible for balancing the drawers each day, preparing the deposit slip, depositing the money in the bank, and occasionally completely the monthly bank reconciliation". That is not entirely correct. I, as Clerk, take the money deposits to the bank almost 90% of the time throughout the year. I do occasionally need the bookkeepers to take the deposits on the days I am not in the office, i.e. vacation days, sick days, conference/seminars, and the week or two prior to each Election. Also, the second bookkeeper does those duties of the first bookkeeper when the first bookkeeper is off work, balancing the drawers each day, preparing the deposit slips. Additionally, the second bookkeeper does review and confirm the bank deposit slips daily.

Description of Corrective Action Plan:

(1) Cash – This office has two (2) bookkeepers. #1 Bookkeeper will prepare the bank reconciliation one month and have the Clerk review and sign the Monthly Report. The #2 bookkeeper will prepare the bank reconciliation the next month and have the Clerk review and sign the Monthly Report before it is submitted to the Auditor. The bookkeepers will alternate each month doing the bank reconciliation.

(2) Receipts – The bookkeepers will both be responsible for balancing the drawers each day and preparing the deposit slip on an every other week schedule. #1 Bookkeeper will balance the drawers and prepare the bank deposit slips. #2 Bookkeeper will verify the money and initial the deposit slips for accuracy. The bookkeepers will no longer take the bank deposits to the bank. The majority of the time the bank deposits are taken to the bank by the Clerk. However, there are occasions when the Clerk is not able to do so, in those instances a First Deputy will take the bank deposits.

(3) Disbursements – Issuing checks from our Trust account out of our CSI case management system occur twice per month. #1 bookkeeper will print and signature stamp the Trust check in preparation for mailing. #2 bookkeeper will review the Trust checks and mail the Trust check. This procedure will alternate every two weeks between the bookkeepers.

ISETS – The child support Deputy Clerk will print the child support checks and verify the checks by signing the Check Register. One of the two bookkeepers will then review the checks, sign the Check Register and mail the support checks.

(4) Financial Close and Reporting -- Both of the bookkeepers will prepare the County Annual Report (CAR-1). After preparation and review by BOTH bookkeepers each bookkeeper will "sign off" on a written copy for submission to the Clerk for review. The Clerk will personally sign the CAR-1 prior to submission to the County Auditor for inclusion in the Financial Statement.

Anticipated Completion Date: started August 2016, will be fully implemented in January 2017 upon the return of the second bookkeeper from maternity leave.

- (1) The ISETS changes have been completely implemented.
- (2) Neither bookkeeper takes the daily bank deposits to the bank: done only by the Clerk, or First Deputy.



(Signature)

Wabash County Clerk of Circuit Court
(Title)

November 18, 2016
(Date)

CLERK OF THE CIRCUIT COURT
WABASH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 29, 2016, with Elaine J. Martin, Clerk of the Circuit Court; Barry J. Eppley, President of the Board of County Commissioners; and Michael B. Ridenour, President of the County Council.

COUNTY SHERIFF
WABASH COUNTY

COUNTY SHERIFF
WABASH COUNTY
AUDIT RESULT AND COMMENT

INMATE TRUST BANK ACCOUNT RECONCILIATIONS

Monthly depository reconciliations of the fund balances to the bank account balances were not performed for the Master Funding Account within Inmate Trust. The Master Funding Account #12002 was part of a Smart Debit Card process that distributes to exiting inmates a remaining fund balance in his or her account in the form of a debit card instead of a check. The total balance at December 31, 2015, was \$(699). It was unknown how this account reconciles.

A similar comment appeared in prior report for year ending December 31, 2014.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

COUNTY SHERIFF
WABASH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 29, 2016, with Robert E. Land, County Sheriff; Barry J. Eppley, President of the Board of County Commissioners; and Michael B. Ridenour, President of the County Council.

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COUNTY PROSECUTOR
WABASH COUNTY

COUNTY PROSECUTOR
WABASH COUNTY
FEDERAL FINDING

**FINDING 2015-006 - ACTIVITIES ALLOWED OR UNALLOWED,
ALLOWABLE COSTS/COST PRINCIPLES, AND REPORTING**

Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year (or Other Identifying Number): 2015
Pass-Through Entity: Indiana Department of Child Services

This is a combined repeat of three findings from the immediate prior year. The prior year finding numbers were 2014-006, 2014-007, and 2014-008.

Condition

Management of the County had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Reporting compliance requirements. The following deficiencies constitute material weaknesses.

The County Prosecutor's office had not designed or implemented policies and procedures to ensure that the Monthly Expense Claims were accurately prepared.

The Monthly Expense Claim for the County Prosecutor's office included compensation for one employee whose rate of pay could not be recalculated. This was due to the fact that the County Prosecutor's office could only provide the hours the employee worked throughout the year on Title IV-D but could not provide the total hours the employee worked throughout the year for the County Prosecutor's office in general. The employee's Title IV-D hours worked fluctuated throughout the year but the salary paid from federal reimbursements remained the same. Officials could not inform us how many hours the total salary included. Therefore, we could not establish that the employee's salary paid from Title IV-D reimbursements was accurate and allowable. The Monthly Expense Claim also included an excess portion of the county share of employee health insurance expense for three employees.

Employee Salary and Employer Federal Insurance Contributions Act (FICA) Expenditures: An employee who worked part-time was paid a consistent salaried amount from Prosecutor's IV-D reimbursements recorded in the County General fund. Time records were not provided for all time worked in order to recalculate and substantiate the amount paid. Reimbursed salary totaled \$14,974 and the employee share of FICA totaled \$1,145, resulting in questioned costs in the amount of \$16,119.

Employer Health Insurance Expenditures: The County Prosecutor's office duplicated a portion of the employer share of health insurance benefits for three employees when requesting federal reimbursement. Insurance claimed for reimbursement totaled was \$56,065; however, the correct portion should have been \$24,371, resulting in questioned costs in the amount of \$31,694.

Context

The County had a lack of internal controls and had not properly reviewed the Monthly Expense Claims prior to submission to ensure compliance.

COUNTY PROSECUTOR
WABASH COUNTY
FEDERAL FINDING
(Continued)

Criteria

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

45 CFR 304.20(b) states in part:

"Services and activities for which Federal financial participation will be available shall be those made pursuant to the approved title IV-D State plan which are determined by the Secretary to be necessary expenditures properly attributable to the Child Support Enforcement program . . ."

OMB Circular A-87, Attachment B, item 8(h)(4), states in part:

"Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non Federal award,
- (c) An indirect cost activity and a direct cost activity, . . ."

Cause

Management had not developed an effective system of internal controls that segregated key functions.

COUNTY PROSECUTOR
WABASH COUNTY
FEDERAL FINDING
(Continued)

Effect

The failure to establish internal control's enabled material compliance to go undetected which could have resulted in the loss of federal funds to the County.

Questioned Costs

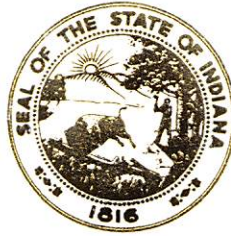
Questioned costs identified totaled \$47,813.

Recommendation

We recommended that the County's management establish controls, including segregation of duties, related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Reporting compliance requirements.

Views of Responsible Officials

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



WILLIAM C. HARTLEY, JR.
PROSECUTING ATTORNEY

CORRECTIVE ACTION PLAN

FINDING 2015-006

Contact Person Responsible for Corrective Action: DEBBIE TIFFANY
Contact Phone Number: (260) 563-1105 ext. 1319

Views of Responsible Official: See attached response

Description of Corrective Action Plan:

County has now downloaded monthly expenditure forms from the State, including:

Report of Personal Services Expenditure
Personnel Activity Report

County Office has requested and is receiving monthly Cash Expenditure reports from County Auditor's Office, as well as a report for actual insurance costs paid.

County Office is using Auditor's reports to match which claims were paid, and when claims were actually paid, as opposed to Claims schedule which was not accurate.

County Office has forwarded revised claims to the State Child Support Bureau for their review, and will be meeting to sign an agreement as to a pay-back schedule.

Anticipated Completion Date: December 31, 2016



WILLIAM C. HARTLEY, JR.
PROSECUTING ATTORNEY

November 17, 2016

Indiana State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, IN 46204-2765

RE: Proposed Audit Findings 2015-006

Dear State Board of Accounts:

This letter is a follow-up to the proposed findings mentioned above. The Wabash County Prosecutor's Office acknowledges that the child support division unintentionally over-reported employer health insurance expenses when requesting federal reimbursement and the Prosecutor's Office will be working with the State Child Support Bureau to reimburse these amounts. The Prosecutor's Office will be taking corrective action to ensure this overstatement does not occur again.

With respect to the issue of employee salary and employer FICA expenses related to a part-time deputy prosecutor's pay, the Prosecutor's Office acknowledges that there will need to be adjustments and reimbursements made to the State but disputes that the full amount should be considered "questioned costs". Specifically, my child support staff mistakenly believed that whatever was paid out of our county child support budget for child support salary could be submitted for reimbursement under the Title IV-D Program. That practice has since been corrected. We will be taking steps to reimburse for any over-reporting and we will be working with the State Child Support Bureau for the amount that should be reimbursed. For future purposes we have put in place a corrective action plan that should resolve these potential issues. If you have any questions or comments regarding this response, please do not hesitate to call.

Very truly yours,

William C. Hartley, Jr.
Prosecuting Attorney

WCH/dt

COUNTY PROSECUTOR
WABASH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 29, 2016, with William C. Hartley, Jr., County Prosecutor; Barry J. Eppley, President of the Board of County Commissioners; and Michael B. Ridenour, President of the County Council.

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BOARD OF COUNTY COMMISSIONERS
WABASH COUNTY

BOARD OF COUNTY COMMISSIONERS
WABASH COUNTY
FEDERAL FINDING

FINDING 2015-005 - INTERNAL CONTROL OVER FORMULA GRANTS FOR RURAL AREAS

Federal Agency: Department of Transportation

Federal Program: Formula Grants for Rural Areas

CFDA Number: 20.509

Federal Award Numbers and Years or Other Identifying Numbers: A249-14-320497, A249-14-320436,
A249-15-320498

Pass-Through Entity: Indiana Department of Transportation

This is a repeat finding from the immediate prior year. The prior year finding number was 2014-005.

Condition

Management of the County had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Subrecipient Monitoring compliance requirement. The following deficiency constituted a material weakness.

The County passed through Formula Grants for Rural Areas funds to a subrecipient but did not monitor the activities of the subrecipient as necessary to ensure that federal awards were used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements.

Context

The County did not have adequate controls in place to comply with the Subrecipient Monitoring requirement of the Formula Grants for Rural Areas program.

Criteria

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. . . ."

BOARD OF COUNTY COMMISSIONERS
WABASH COUNTY
FEDERAL FINDING
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed an effective system of internal controls that segregated key functions.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls related to 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.

Wabash County Board Of Commissioners
One West Hill Street, Suite 102
Wabash, IN 46992

CORRECTIVE ACTION PLAN

Finding 2015-005

Contact Person Responsible for Corrective Action:

Barry J. Eppley, Wabash County Commissioner

Linda L Conrad, Wabash County Auditor

Contact Phone # 260-563-0221

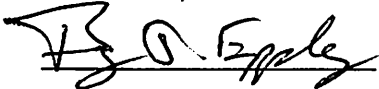
We concur with the finding.

Descriptive of Corrective Plan:

With the continuing quarterly visits to the Commissioners meetings by the Transit Department, the Commissioner are requesting detailed documentation of how these monies are being spent.

Anticipated Completion date:

Immediately



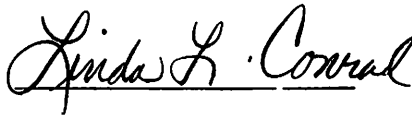
Signature

President Commissioners

Title

11-21-16

Date



Signature

Auditor

Title

November 17, 2016

Date

BOARD OF COUNTY COMMISSIONERS
WABASH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 29, 2016, with Barry J. Eppley, President of the Board of County Commissioners, and Michael B. Ridenour, President of the County Council.