

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WHITLEY COUNTY, INDIANA

January 1, 2014 to December 31, 2014



**FILED**  
05/19/2017



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## SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Jennifer R. McGuire	01-01-11 to 08-19-14
	(Vacant)	08-20-14 to 08-21-14
	Vicky L. Schrader (interim)	08-22-14 to 09-03-14
	Jana L. Schinbeckler	09-04-14 to 12-31-18
County Treasurer	Laurell E. Schroeder	01-01-13 to 12-31-20
Clerk of the Circuit Court	Deborah S. Beers	01-01-11 to 12-31-18
County Sheriff	Mark E. Hodges	01-01-11 to 12-31-14
	Marcus E. Gatton	01-01-15 to 12-31-18
County Recorder	April D. Whetstone	01-01-11 to 12-31-18
President of the Board of County Commissioners	George A. Schrupf	01-01-14 to 12-31-14
	Thomas B. Rethlake	01-01-15 to 10-19-15
	Donald A. Amber	10-20-15 to 12-31-15
	George A. Schrupf	01-01-16 to 12-31-17
President of the County Council	Thomas E. Western	01-01-14 to 12-31-15
	Kim H. Wheeler	01-01-16 to 12-31-16
	John M. Barrett	01-01-17 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF WHITLEY COUNTY, INDIANA

This report is supplemental to our audit report of Whitley County (County), for the period from January 1, 2014 to December 31, 2014. 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/](http://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

March 16, 2017

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COUNTY AUDITOR  
WHITLEY COUNTY

COUNTY AUDITOR  
WHITLEY COUNTY  
FEDERAL FINDINGS

**FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL  
TRANSACTIONS AND REPORTING - DISBURSEMENTS**

*Condition*

There were several deficiencies in the internal control system of the County related to financial transactions and reporting - disbursements. The following deficiencies constituted material weaknesses:

1. Lack of Segregation of Duties: The County had not separated incompatible activities related to disbursements. There were numerous claims paid without supporting documentation that would have verified that the claims were for County related business.
2. Monitoring of Controls: Effective internal control over financial reporting of disbursements required the Board of County Commissioners or their designee to monitor and assess the quality of the County's system of internal control. The Board of County Commissioners or their designee had not performed either an ongoing or separate evaluation of their system of internal controls.

*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. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

COUNTY AUDITOR  
WHITLEY COUNTY  
FEDERAL FINDINGS  
(Continued)

Indiana Code 5-11-10-1.6(c) states in part:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services.
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

*Cause*

Management of the County had not established and properly implemented a system of internal control. Additionally, the internal control system was not monitored by the County.

*Effect*

The failure to establish and properly implement controls enabled material 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.

**FINDING 2014-002 - 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). One person was solely responsible for preparing and submitting the SEFA without oversight, review, or approval.

During the audit of the SEFA, there were the following errors:

1. The Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii grant was understated by \$130,000.
2. The Highway Planning and Construction grant was understated by \$38,578.

COUNTY AUDITOR  
WHITLEY COUNTY  
FEDERAL FINDINGS  
(Continued)

3. The Formula Grants for Rural Areas was overstated by the state reimbursement of \$65,708.
4. The Hospital Preparedness Program (HHP) and Public health Emergency Preparedness (PHEP) Aligned Cooperative Agreements was understated by \$375.
5. The Child Support Enforcement grant was understated by \$89.
6. The Disaster Grants - Public Assistance (Presidentially Declared Disasters) grant was understated by \$43,127.

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

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

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

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

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

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. . . ."

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:

COUNTY AUDITOR  
WHITLEY COUNTY  
FEDERAL FINDINGS  
(Continued)

- (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."

*Cause*

Management of the County had not established a system of internal control that would have ensured accurate and complete reporting of the federal expenditures on 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.

**FINDING 2014-003 - SUBRECIPIENT MONITORING**

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): A249-13-320336, A249-14-320442

Pass-Through Entity: Indiana Department of Transportation

COUNTY AUDITOR  
WHITLEY COUNTY  
FEDERAL FINDINGS  
(Continued)

*Condition*

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

The County passed through 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 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 200.331 states in part:

"All pass-through entities must: . . . .

(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.

. . .

*Cause*

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

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected which could have resulted in the loss of federal funds to the County.

*Questioned Costs*

There were no questioned costs identified.

COUNTY AUDITOR  
WHITLEY COUNTY  
FEDERAL FINDINGS  
(Continued)

*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 2014-004 - SPECIAL TESTS AND PROVISIONS -  
SEPARATE ACCOUNTABILITY FOR ARRA FUNDING**

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): A249-14-320499

Pass-Through Entity: Indiana Department of Transportation

*Condition*

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Separate Accountability for ARRA Funding compliance requirement.

The County combined the federal program records of Formula Grants for Rural Areas and ARRA - Formula Grants for Rural Areas, Recovery Act into the Senior Citizen Transportation Grant fund; however, the ARRA - Formula Grants for Rural Areas, Recovery Act was required to maintain separate records.

*Context*

No control procedures had been established for the audit period to ensure program records for the ARRA - Formula Grants for Rural Areas, Recovery Act were maintained separately from the records for Formula Grants for Rural Areas.

*Criteria*

2 CFR 176.210(a) states in part:

"To maximize the transparency and accountability of funds authorized under the American Recovery and Reinvestment Act of 2009 (Pub. L. 111-5) (Recovery Act) as required by Congress and in accordance with 2 CFR 215.21 'Uniform Administrative Requirements for Grants and Agreements' and OMB Circular A-102 Common Rules provisions, recipients agree to maintain records that identify adequately the source and application of Recovery Act funds. . . ."

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. . . ."

COUNTY AUDITOR  
WHITLEY COUNTY  
FEDERAL FINDINGS  
(Continued)

*Cause*

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

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected which could have resulted in the loss of federal funds to the County.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

We also recommended that the County comply with the Special Tests and Provisions - Separate Accountability for ARRA Funding requirements of the program.

*Views of Responsible Officials*

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

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## Whitley County Auditor

*Jana L. Schinbeckler*

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220 W Van Buren St., Suite 207 | Columbia City, Indiana 46725 | Phone: 260.248.3176

Email: wcauditor@whitleygov.com

### CORRECTIVE ACTION PLAN

#### ***FINDING 2014-001***

Contact Person Responsible for Corrective Action: Jana Schinbeckler

Contact Phone Number: 260-248-3176

Views of Responsible Official: As county auditor it is important to have sufficient internal controls in place.

1. Lack of Segregation of Duties: In review of the segregation of duties for disbursements made from the office we will now be ensuring that each claim will be filled out by the coordinating department and then turned into the Auditor's office. The department heads will sign the claims that are turned into the office. We will also mandate that there will be documentation to go with the claim each time. If there is not, we will ask for supporting documentation and obtain it from the department. We will confirm that each claim is County related business as well.
2. Monitoring of Controls: In review of the internal controls over financial reporting of disbursements, the Board of Commissioners will now be reviewing each individual claim to verify that they have reviewed the claims against the County. They will ensure that each claim is County business related and confirm that there is documentation with each claim. The County Auditor will review each claim as well and sign the docket breakdown sheet along with the Board of Commissioners.

Anticipated Completion Date: Corrected action will be put in place immediately

*Jana L. Schinbeckler*  
\_\_\_\_\_  
(Signature)

*Auditor*  
\_\_\_\_\_  
(Title)

*2/24/17*  
\_\_\_\_\_  
(Date)

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**Whitley County Auditor**

*Jana L. Schinbeckler*

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220 W Van Buren St., Suite 207 | Columbia City, Indiana 46725 | Phone: 260.248.3176

Email: wcauditor@whitleygov.com

**CORRECTIVE ACTION PLAN**

***FINDING 2014-002***

Contact Person Responsible for Corrective Action: Jana Schinbeckler

Contact Phone Number: 260-248-3176

Views of Responsible Official: As county auditor it is important to have sufficient preparation of the schedule of expenditures of federal awards.

Description of Corrective Action Plan:

In regard to future preparation of the schedule of expenditures of federal awards, Whitley County will ensure that all appropriate personnel will oversee the schedule of expenditures for all grants and other federal monies that are receipted and/or disbursed as to be in compliance with the State Board of Accounts requirements.

Anticipated Completion Date: Corrected action will be put in place immediately.

*Jana L. Schinbeckler*  
\_\_\_\_\_  
(Signature)

Auditor  
\_\_\_\_\_  
(Title)

2/24/17  
\_\_\_\_\_  
(Date)

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## Whitley County Auditor

*Jana L. Schinbeckler*

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220 W Van Buren St., Suite 207 | Columbia City, Indiana 46725 | Phone: 260.248.3176

Email: wcauditor@whitleygov.com

### CORRECTIVE ACTION PLAN

#### **FINDING 2014-003**

Contact Person Responsible for Corrective Action: Jana Schinbeckler

Contact Phone Number: 260-248-3176

Views of Responsible Official: As county auditor it is important to have adequate sub recipient monitoring in place.

#### Description of Corrective Action Plan:

The Director of Whitley County Council on Aging will now be sending the county auditor the grant application, grant agreements and quarterly claims with all supporting documentation to the Board of Commissioners and the County Auditor before the Commissioners meeting. This allows for enough time for their review prior to bringing it to the Commissioners meeting for approval and signatures.

Anticipated Completion Date: Corrected action will be put in place immediately.

*Jana L. Schinbeckler*  
\_\_\_\_\_  
(Signature)

Auditor  
\_\_\_\_\_  
(Title)

2/24/17  
\_\_\_\_\_  
(Date)

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## Whitley County Auditor

*Jana L. Schinbeckler*

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220 W Van Buren St., Suite 207 | Columbia City, Indiana 46725 | Phone: 260.248.3176

Email: wcauditor@whitleygov.com

### CORRECTIVE ACTION PLAN

#### **FINDING 2014-004**

Contact Person Responsible for Corrective Action: Jana Schinbeckler

Contact Phone Number: 260-248-3176

Views of Responsible Official: As county auditor it is important to have an effective internal control system in place in order to ensure compliance with requirements related to the grant agreement for ARRA funding.

Description of Corrective Action Plan:

In regard to the internal controls for ARRA funding, the County Auditor will implement internal controls to 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. Implementing an internal controls policy will address the segregation of duties and the ARRA funds will be maintained separately.

Anticipated Completion Date: Corrected action will be put in place immediately.

*Jana L. Schinbeckler*  
(Signature)

*Auditor*  
(Title)

*2/24/17*  
(Date)

COUNTY AUDITOR  
WHITLEY COUNTY  
AUDIT RESULTS AND COMMENTS

**OVERDRAWN CASH BALANCES**

The financial statement included the following funds with overdrawn cash balances at December 31, 2014:

Fund	Amount Overdrawn
Unfafe Building	\$ 4,200
lotron Union TIF Amended	12,224

A similar comment appeared in prior Report B44717.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. In an instance in which a unit receives a reimbursement grant, the unit must be claiming reimbursement in a timely manner. In this case, it would be possible for a fund to be overdrawn for a short period of time. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

**APPROPRIATIONS**

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Year	Excess Amount Expended
Cumulative Capital Development	2014	\$ 98,814
Supplemental Public Defender Services	2014	30,196

A similar comment appeared in prior Report B44717.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

Indiana Code 36-2-5-2(b) states: "The county fiscal body shall appropriate money to be paid out of the county treasury, and money may be paid out of the treasury only under an appropriation made by the fiscal body, except as otherwise provided by law."

Indiana Code 33-40-3-2 states: "The fiscal body of the county shall appropriate money from the fund to supplement and provide court appointed legal services to qualified defendants."

COUNTY AUDITOR  
WHITLEY COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**CONDITION OF RECORDS - REDEVELOPMENT BONDS**

Financial records presented for audit were incomplete and not reflective of the activity of the Redevelopment Series A Fund and the Redevelopment Series B Fund. The records presented did not include the total proceeds from the sale of the \$4,500,000 Redevelopment District Bonds of 2014, Series A or the \$3,000,000 Redevelopment District Bonds of 2014, Series B. The records only reported the net amount of the bonds received. The records did not include the use of either of the bonds proceeds to pay the retirement of the 2010 Bond Anticipation Note, placement fees and other interest and debt reserve requirements.

The financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

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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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. . . ."

**IMPROPER USE OF COUNTY CREDIT CARD**

Jennifer R. McGuire, former County Auditor, charged \$105,746.83 of personal expenses to County credit cards between May 18, 2011, and July 24, 2014. The cards were issued to her in her name as part of the County's combined credit card account which also included cards issued to several other County employees. The monthly credit card statements identified all transactions by individual card. The personal expenses charged include, but were not limited to Facebook gaming, cash advances, entertainment/travel (restaurants, airline tickets, hotels, concert and sports tickets, campground fees), groceries and home supplies, gas stations and convenience stores, monthly utility bills, home repairs and improvements, auto repairs and maintenance, and clothing. Late fees and finance charges incurred on the account as a result of the personal expense charges were also considered personal expenses. Three payments totaling \$3,531.12 from sources unrelated to the County were made to the credit card company. The State of Indiana incurred additional investigation costs in the investigation of personal expenses charged to County credit cards totaling \$27,666.24. The total balance due from Jennifer R. McGuire was \$129,881.95. A payment of \$102,882.40 was received February 20, 2015, by the County for County expenses. See Indiana State Board of Accounts Special Investigation Report of County Auditor B44746 for further details.

COUNTY AUDITOR  
WHITLEY COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the unit. Any personal expenses paid by the unit maybe the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

Audit costs incurred because of poor records, nonexistent records, or any other inadequate book-keeping practices, or because of theft or shortage may be the personal responsibility of the official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR  
WHITLEY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2017, with Jana L. Schinbeckler, County Auditor; George A. Schrupf, President of the Board of County Commissioners; Donald A. Amber, Board of County Commissioners member; and John M. Barrett, President of the County Council.

COUNTY SHERIFF  
WHITLEY COUNTY

COUNTY SHERIFF  
WHITLEY COUNTY  
AUDIT RESULT AND COMMENT

**CONDITION OF RECORDS**

The 2014 Supplemental Annual Report form filed with the County Auditor by the County Sheriff's Department did not reflect the activity of the Sheriff's Cashbook, Inmate Trust or Commissary Funds. The Supplemental Annual Report form reported the cash balances, deposits, and charges for the year as recorded on the monthly bank statements, not the total receipts, disbursements, and balances per the County Sheriff's ledgers.

Indiana Code 5-11-1-4 states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the format and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

The supplemental annual report forms are submitted by other county offices and departments to be used by the county auditor to provide complete financial information for the annual report by reporting financial activity that is maintained outside of the county auditor's system. . . . The common financial activities that are maintained outside of the county auditor's system are the clerk's trust (including ISETS), jail commissary, sheriff's inmate trust, county home commissary, and county home residents' trust. (The County Bulletin and Uniform Compliance Guidelines, January 2014, Volume 391)

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. . . ."

COUNTY SHERIFF  
WHITLEY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2017, with Marcus E. Gatton, County Sheriff; George A. Schrumpf, President of the Board of County Commissioners; Donald A. Amber, Board of County Commissioners member; John M. Barrett, and President of the County Council.

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COUNTY PROSECUTING ATTORNEY  
WHITLEY COUNTY

COUNTY PROSECUTING ATTORNEY  
WHITLEY COUNTY  
FEDERAL FINDING

***FINDING 2014-005 - ALLOWABLE COSTS/COST PRINCIPLES***

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): FY 2014  
Pass-Through Entity: Indiana Department of Child Services

*Condition*

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The County Prosecuting Attorney's office was required to maintain Semiannual Certifications and Personnel Activity Reports on all full and part-time employees paid from the grant.

*Context*

There was a lack of controls for the entire audit period. There were no certifications or reports being maintained for employees during the audit period.

*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. . . ."

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

". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared a least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(4) 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:

COUNTY PROSECUTING ATTORNEY  
WHITLEY COUNTY  
FEDERAL FINDING  
(Continued)

- (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,
- (d) Two or more indirect activities which are allocated using different allocation bases,  
or
- (e) An unallowable activity and a direct or indirect cost activity. . . ."

*Cause*

Management had not developed a system of internal controls that ensured the Allowable Costs/Cost Principles compliance requirement was met.

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected which could have resulted in the loss of federal funds to the County.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the Prosecuting Attorney's office establish internal controls related to the grant agreement and Allowable Costs/Cost Principles compliance requirement.

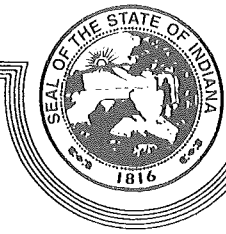
We also recommended that the County comply with the Allowable Costs/Cost Principles requirements of the program.

*Views of Responsible Officials*

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

PROSECUTING ATTORNEY

82nd JUDICIAL CIRCUIT



WHITLEY COUNTY, INDIANA

D.J. SIGLER, JR. - PROSECUTOR  
CORY A. SPREEN - CHIEF DEPUTY  
LINDSEY A. GROSSNICKLE - DEPUTY

101 W. VAN BUREN ST., ROOM 13  
COLUMBIA CITY, INDIANA 46725  
TELEPHONE (260) 244-3000  
FACSIMILE (260) 244-7380

CORRECTIVE ACTION PLAN

**FINDING 2014-005**

PROSECUTOR'S  
STAFF

Jennifer E. Fulk  
Jennifer R. Patrick  
Kristina M. Stinson

PROSECUTOR'S  
INVESTIGATOR

Michael S. Christie

VICTIM'S  
ADVOCATE

Denice R. Spencer

**Contact Person Responsible for Corrective Action:**

D.J. Sigler, Jr., Whitley Co. Prosecutor

**Contact phone number:** 260-244-3000

**View of Responsible Official:** We concur with the finding.

**Description of Corrective Action Plan:**

We are putting into place a system of internal control by filing the Monthly Expense Claim Personal Services Worksheets to document the number of IV-D hours worked by each employee. We will also file the semi-annual IV-D Time & Effort Certifications.

**Anticipated completion date:**

Next reporting period of March 10, 2017.

Dated this 7 day of March, 2017

D.J. Sigler, Jr.  
Whitley County Prosecuting Attorney

COUNTY PROSECUTING ATTORNEY  
WHITLEY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2017, with Daniel J. Sigler, Jr., County Prosecuting Attorney; George A. Schrupf, President of the Board of County Commissioners; Donald A. Amber, Board of County Commissioners member; and John M. Barrett, President of the County Council.

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BOARD OF COUNTY COMMISSIONERS  
WHITLEY COUNTY

BOARD OF COUNTY COMMISSIONERS  
WHITLEY COUNTY  
FEDERAL FINDINGS

**FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL  
TRANSACTIONS AND REPORTING - DISBURSEMENTS**

*Condition*

There were several deficiencies in the internal control system of the County related to financial transactions and reporting - disbursements. The following deficiencies constituted material weaknesses:

1. Lack of Segregation of Duties: The County had not separated incompatible activities related to disbursements. There were numerous claims paid without supporting documentation that would have verified that the claims were for County related business.
2. Monitoring of Controls: Effective internal control over financial reporting of disbursements required the Board of County Commissioners or their designee to monitor and assess the quality of the County's system of internal control. The Board of County Commissioners or their designee had not performed either an ongoing or separate evaluation of their system of internal controls.

*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. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

BOARD OF COUNTY COMMISSIONERS  
WHITLEY COUNTY  
FEDERAL FINDINGS  
(Continued)

Management remediates identified issues. . . ."

Indiana Code 5-11-10-1.6(c) states in part:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services.
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

*Cause*

Management of the County had not established and properly implemented a system of internal control. Additionally, the internal control system was not monitored by the County.

*Effect*

The failure to establish and properly implement controls enabled material 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.

**FINDING 2014-003 - SUBRECIPIENT MONITORING**

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): A249-13-320336, A249-14-320442

Pass-Through Entity: Indiana Department of Transportation

*Condition*

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

BOARD OF COUNTY COMMISSIONERS  
WHITLEY COUNTY  
FEDERAL FINDINGS  
(Continued)

The County passed through funds to a subrecipient but did not monitor the activities of the sub-recipient 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 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 200.331 states in part:

"All pass-through entities must: . . . .

(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.  
. . .

*Cause*

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

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected which could have resulted in the loss of federal funds to the County.

*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.



# WHITLEY COUNTY BOARD OF COMMISSIONERS

Whitley County Government Center

220 W. Van Buren St., Ste. 103

Columbia City, IN 46725

## CORRECTIVE ACTION PLAN

### **FINDING 2014-001**

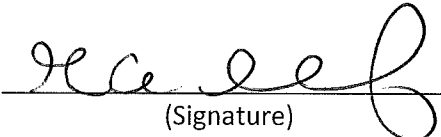
Contact Person Responsible for Corrective Action: Whitley County Board of Commissioners

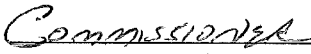
Contact Phone Number: 260-248-3176

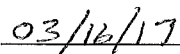
Views of Responsible Official: As the Whitley County Board of Commissioners, it is important to have sufficient internal controls in place.

1. Lack of Segregation of Duties: In review of the segregation of duties for disbursements made from the Auditor's Office, the Commissioners will now be ensuring that each claim will be filled out by the coordinating department and then turned into the Auditor's office. The department heads will sign the claims that are turned into the office. We will ensure there is proper documentation with every claim each time. If there is not, we will ask for supporting documentation and obtain it from the department. We will confirm that each claim is County related business as well and review each claim.
2. Monitoring of Controls: In review of the internal controls over financial reporting of disbursements, the Board of Commissioners will now be reviewing each individual claim to verify that they have reviewed the claims against the County. They will ensure that each claim is County business related and confirm that there is documentation with each claim. The County Auditor will review each claim as well and sign the docket breakdown sheet along with the Board of Commissioners.

Anticipated Completion Date: Corrected action will be put in place immediately

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)



# WHITLEY COUNTY BOARD OF COMMISSIONERS

Whitley County Government Center

220 W. Van Buren St., Ste. 103

Columbia City, IN 46725

## CORRECTIVE ACTION PLAN

### ***FINDING 2014-003***

Contact Person Responsible for Corrective Action: Whitley County Board of Commissioners

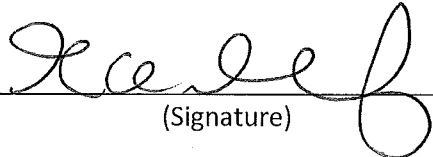
Contact Phone Number: 260-248-3176

Views of Responsible Official: As the Whitley County Board of Commissioners, it is important to have adequate sub recipient monitoring in place.

### Description of Corrective Action Plan:

The Director of Whitley County Council on Aging will now be sending the county auditor the grant application, grant agreements and quarterly claims with all supporting documentation to the Board of Commissioners and the County Auditor before the Commissioners meeting. This allows for enough time for the Commissioner's review prior to bringing it to the Commissioners meeting for approval and signatures.

Anticipated Completion Date: Corrected action will be put in place immediately.

  
\_\_\_\_\_  
(Signature)

*Commissioner*  
\_\_\_\_\_  
(Title)

*03/16/17*  
\_\_\_\_\_  
(Date)

BOARD OF COUNTY COMMISSIONERS  
WHITLEY COUNTY  
AUDIT RESULT AND COMMENT

***IMPROPER USE OF COUNTY CREDIT CARD***

Jennifer R. McGuire, former County Auditor, charged \$105,746.83 of personal expenses to County credit cards between May 18, 2011, and July 24, 2014. The cards were issued to her in her name as part of the County's combined credit card account which also included cards issued to several other County employees. The monthly credit card statements identified all transactions by individual card. The personal expenses charged include, but were not limited to Facebook gaming, cash advances, entertainment/travel (restaurants, airline tickets, hotels, concert and sports tickets, campground fees), groceries and home supplies, gas stations and convenience stores, monthly utility bills, home repairs and improvements, auto repairs and maintenance, and clothing. Late fees and finance charges incurred on the account as a result of the personal expense charges were also considered personal expenses. Three payments totaling \$3,531.12 from sources unrelated to the County were made to the credit card company. The State of Indiana incurred additional investigation costs in the investigation of personal expenses charged to County credit cards totaling \$27,666.24. The total balance due from Jennifer R. McGuire was \$129,881.95. A payment of \$102,882.40 was received February 20, 2015, by the County for County expenses. See Indiana State Board of Accounts Special Investigation Report of County Auditor B44746 for further details.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Audit costs incurred because of poor records, nonexistent records, or any other inadequate book-keeping practices, or because of theft or shortage may be the personal responsibility of the official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

BOARD OF COUNTY COMMISSIONERS  
WHITLEY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2017, with George A. Schrupf, President of the Board of County Commissioners; Donald A. Amber, Board of County Commissioners member; John M. Barrett, President of the County Council; and Jana L. Schinbeckler, County Auditor.