

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WHITLEY COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
05/24/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Jana L. Schinbeckler	01-01-15 to 12-31-18
County Treasurer	Laurell E. Schroeder	01-01-13 to 12-31-20
Clerk of the Circuit Court	Deborah S. Beers	01-01-15 to 12-31-18
County Sheriff	Marcus E. Gatton	01-01-15 to 12-31-18
County Recorder	April D. Whetstone	01-01-15 to 12-31-18
President of the Board of County Commissioners	Thomas B. Rethlake Donald A. Amber George A. Schrupf	01-01-15 to 10-19-15 10-20-15 to 12-31-15 01-01-16 to 12-31-17
President of the County Council	Thomas E. Western Kim H. Wheeler John M. Barrett	01-01-15 to 12-31-15 01-01-16 to 12-31-16 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, 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

March 16, 2017

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COUNTY AUDITOR
WHITLEY COUNTY

COUNTY AUDITOR
WHITLEY 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). 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 Special Supplemental Nutrition Program for Women, Infants, and Children grant was understated by \$11,586.
2. The Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii grant was understated by \$65,000.
3. The Formula Grants for Rural Areas grant was overstated by \$165,686.
4. The Bus and Bus Facilities Formula Program grant was understated by \$68,100.
5. The Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements grant was understated by \$8,169.
6. The PPHF National Public Health Improvement Initiative grant was overstated by \$1,197.
7. The Child Support Enforcement grant was understated by \$81,533.
8. The Homeland Security Grant Program grant was understated by \$4,300.

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. . . ."

COUNTY AUDITOR
WHITLEY COUNTY
FEDERAL FINDINGS
(Continued)

2 CFR section 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR section 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 the 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 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.

Whitley County Auditor

Jana L. Schinbeckler

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

Email: wcauditor@whitleygov.com

CORRECTIVE ACTION PLAN

FINDING 2015-001

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 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 received 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)

2/28/17

(Date)

COUNTY AUDITOR
WHITLEY COUNTY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The financial statement presented in this report included the following funds with overdrawn cash balances at December 31, 2015:

Fund	Amount Overdrawn
Ordinance Violation Liens	\$ 16,900
Ambulance Lease	16,072

A similar comment appeared in the prior Reports B44717 and B48139.

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
County General	2015	\$ 960,691
Emergency Planning and Right to Know	2015	6,305
Local Health Maintenance	2015	4,730

A similar comment appeared in the prior Reports B44717 and B48139.

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 13-5-25-10.6(d) states in part:

"Money shall be appropriated by a county fiscal body (as defined in IC 36-1-2-6) from a fund established under subsection (b) upon the receipt by the county fiscal body of the local emergency planning committee's spending plan. . . . The county fiscal body may not appropriate money from the fund established under subsection (b) for any person or purpose other than the local emergency planning committee."

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. Schrumpf, 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 2015 Supplemental Annual Report form filed with the County Auditor by the County Sheriff's Department did not reflect the activity of the County 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 statement, not the total receipts, disbursements, and balances per the County Sheriff's ledgers.

A similar comment appeared in prior Report B48139.

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:

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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. 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.