

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
WAYNE COUNTY, INDIANA
January 1, 2015 to December 31, 2015



FILED
09/20/2017

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|--|--|
| County Auditor | Robert K. Coddington Kimberly A. Walton | 01-01-15 to 06-04-17 06-05-17 to 12-31-18 |
| County Treasurer | Cathy Williams | 01-01-13 to 12-31-20 |
| Clerk of the Circuit Court | Debra Berry | 01-01-14 to 12-31-20 |
| County Sheriff | Jeff Cappa | 01-01-15 to 12-31-18 |
| County Recorder | Debra S. Tiemann | 01-01-15 to 12-31-18 |
| President of the Board of County Commissioners | Kenneth E. Paust | 01-01-15 to 12-31-17 |
| President of the County Council | Peter Zaleski | 01-01-15 to 12-31-17 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

The Federal Findings, identified in the above referenced audit report, are included in this report.

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

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

August 22, 2017

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COUNTY AUDITOR
WAYNE COUNTY

COUNTY AUDITOR
WAYNE COUNTY
FEDERAL FINDING

FINDING 2015-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness; Other Matters

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).

The SEFA presented for audit contained the following errors: grants that were not federal awards were included, grants that were federal awards were excluded, and grant amounts reported were incorrect based on supporting documentation presented for audit. 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. . . ."

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. . . ."

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:

COUNTY AUDITOR
WAYNE COUNTY
FEDERAL FINDING
(Continued)

- (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 had not established a system of internal controls 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.



Kimberly A. Walton, Auditor
Jennie K. Bailey, Chief Deputy Auditor
Wayne County Administration Building
<http://www.co.wayne.in.us/>

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

CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Kimberly A. Walton
Contact Phone Number: 765-973-9317

Views of Responsible Official:

The Wayne County Auditor concurs there was not proper Internal Controls in place to ensure SEFA information was accurate and complete. The SEFA was prepared without accurate understanding of what needed to be reported.

Description of Corrective Action Plan:

The Auditor's office has worked with the State Board of Accounts to better understand the requirements for SEFA. In conjunction with State Board of Accounts, the Auditor's office will correct the 2014, 2015 and 2016 SEFA to be prepared to input into Gateway for the 2017 SEFA. The Auditor's office has also created a reconciliation process for all grants to have better readily available information. On December 1, we will audit all grants each year and insure they are uploaded to Gateway

Anticipated Completion Date: February 28, 2018

Kimberly Walton
(Signature)
Auditor
(Title)
7/26/17
(Date)

COUNTY AUDITOR
WAYNE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 22, 2017, with Kimberly A. Walton, County Auditor.

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COUNTY IV-D COURT
WAYNE COUNTY

COUNTY IV-D COURT
WAYNE COUNTY
FEDERAL FINDING

FINDING 2015-002

Subject: Child Support Enforcement - 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): FY2015
Pass-Through Entity: Indiana Department of Child Services
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

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 did not comply with the Allowable Costs/Cost Principles requirement to maintain documentation of Personnel Expenses to support salaries and wages charged to the federal program. There was no documentation of Personnel Expenses maintained by the IV-D Court.

Context

The lack of controls was a systemic issue, occurring throughout the entire audit period. No documentation of Personnel Expenses to support salaries and wages were maintained by the IV-D Court.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

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

- (ii) Be incorporated into the official records of the non-Federal entity
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

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

Effect

The failure to establish an effective internal control system 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 Allowable Costs/Cost Principle compliance requirement. We also recommended that the County comply with Allowable Costs/Cost Principle requirements of the program.

View of Responsible Officials

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

IV-D COURT
301 East Main Street
Richmond, IN 47374
(765) 973-9273

CORRECTIVE ACTION PLAN

FINDING 2015-002

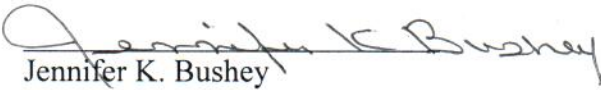
Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year (or Other Identifying Number) FY2015
Pass-Through Entity: Indiana Department of Child Services
Contact Person: Jennifer K. Bushey
Contact Person Phone#: (765) 973-9273


Corrective Action:

The IV-D Court already has implemented an internal controls system to ensure compliance with Allowable Cost/Cost Principles by maintaining certifications to support salaries and wages charged to the federal program.

Anticipated Completion Date:

Corrective action will be put into place for calendar year 2017 and thereafter.


Jennifer K. Bushey
IV-D Court Reporter


Gregory A. Horn
Judge, Wayne Superior Court 2

COUNTY IV-D COURT
WAYNE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 22, 2017, with Kimberly A. Walton, County Auditor.