

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WHITLEY COUNTY, INDIANA

January 1, 2016 to December 31, 2016



**FILED**

10/31/2018



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
County Auditor:	
Federal Finding:	
Finding 2016-001	
Preparation of the Schedule of Expenditures of Federal Awards .....	6-8
Corrective Action Plan .....	9
Exit Conference .....	10
County Sheriff:	
Audit Result and Comment:	
Condition of Records.....	12
Exit Conference .....	13

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	George A. Schrumpf	01-01-16 to 12-31-18
President of the County Council	Kim H. Wheeler John Barrett Thor Hodges	01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

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, 2016 to December 31, 2016. 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 Result and Comment 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 Result and Comment contained herein describes the identified reportable instance 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 and Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

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

September 20, 2018

(This page intentionally left blank.)

COUNTY AUDITOR  
WHITLEY COUNTY

COUNTY AUDITOR  
WHITLEY COUNTY  
FEDERAL FINDING

***FINDING 2016-001***

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat of Finding 2015-001 from the immediately prior report.

*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).

*Context*

The SEFA contained the following errors:

1. The WIC Special Supplemental Nutrition Program for Women, Infants, and Children expenditures were understated by \$122,776.
2. The Child Support Enforcement expenditures were overstated by \$242.
3. The Emergency Management Performance Grants expenditures were understated by \$5,151.

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. . . ."

COUNTY AUDITOR  
WHITLEY COUNTY  
FEDERAL FINDING  
(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 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 *Context*.

COUNTY AUDITOR  
WHITLEY COUNTY  
FEDERAL FINDING  
(Continued)

*Recommendation*

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

*Views of Responsible Officials*

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



*Jana L. Schinbeckler*  
Auditor, Whitley County  
Whitley County Government Center

CORRECTIVE ACTION PLAN

**FINDING 2016-001**

Contact Person Responsible for Corrective Action: Jana Schinbeckler  
Contact Phone Number: 260248-3176

Views of Responsible Official: As the County Auditor it is important to have sufficient preparation of the schedule of expenditures of federal awards and we concur with the finding.

Description of Corrective Action Plan:

In regard to future preparations 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. Departments will also be responsible to fill out an additional sheet with a checklist when they turn in their grant paperwork.

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

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

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

9/10/18  
\_\_\_\_\_  
(Date)

COUNTY AUDITOR  
WHITLEY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 20, 2018, with Jana L. Schinbeckler, County Auditor; George A. Schrupf, President of the Board of County Commissioners; John Barrett, County Council member; and William Overdeer, County Council member.

COUNTY SHERIFF  
WHITLEY COUNTY

COUNTY SHERIFF  
WHITLEY COUNTY  
AUDIT RESULT AND COMMENT

**CONDITION OF RECORDS**

The 2016 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 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 and prior Report B48161.

A depository reconciliation of the County Sheriff's Cash Book balance to the bank account balances at December 31, 2016, was conducted; however, the reconciliation did not balance. The bank reconciliation omitted outstanding checks in the amount of \$4,802 and omitted deposits in transit of \$806. In September of 2018, as a part of our audit, we performed a bank reconciliation for December 31, 2016, using the proper amounts for outstanding checks and deposits in transit that balanced with the County Sheriff's Cash Book.

Indiana Code 5-11-1-4(a) 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 form 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)

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."

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 September 20, 2018, with Marcus E. Gatton, County Sheriff; Carla Horn, Matron; Jody Hollenbaugh, Office Manager; George A. Schrupf, President of the Board of County Commissioners; John Barrett, County Council member; and William Overdeer, County Council member.