

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WHITLEY COUNTY, INDIANA

January 1, 2017 to December 31, 2017



**FILED**

10/31/2018



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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
County Prosecuting Attorney	D. J. Sigler, Jr.	01-01-17 to 12-31-18
President of the Board of County Commissioners	George A. Schrupf	01-01-16 to 12-31-18
President of the County Council	John Barrett Thor Hodges	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, 2017 to December 31, 2017. 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

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COUNTY AUDITOR  
WHITLEY COUNTY

COUNTY AUDITOR  
WHITLEY COUNTY  
FEDERAL FINDING

***FINDING 2017-001***

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

*Repeat Finding*

This is a repeat of Finding 2016-001 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 overstated by \$56.
2. The Highway Planning and Construction expenditures were overstated by \$90.
3. The Formula Grants for Rural Areas expenditures were understated by \$50,726.
4. The Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements expenditures were understated by \$24,473.
5. The Child Support Enforcement expenditures were overstated by \$6,975.

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. . . .

COUNTY AUDITOR  
WHITLEY COUNTY  
FEDERAL FINDING  
(Continued)

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 award years, the auditee may list the amount of Federal awards expended for each 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 a 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.

COUNTY AUDITOR  
WHITLEY COUNTY  
FEDERAL FINDING  
(Continued)

*Effect*

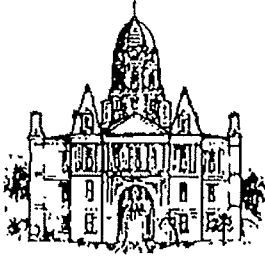
Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA could remain undetected. The SEFA contained the errors identified in the *Context*.

*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 2017-001**

Contact Person Responsible for Corrective Action: Jana Schinbeckler  
Contact Phone Number: 260.248.3176

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 receipts 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)

9/18/18  
\_\_\_\_\_  
(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 2017 Supplemental Annual Report form filed with the County Auditor by the County Sheriff's Department did not reflect the activity of the 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 B48160 and B51191.

A depository reconciliation of the County Sheriff's Cash Book balance to the bank account balances at December 31, 2017, was conducted; however, the reconciliation did not balance. The bank reconciliation omitted outstanding checks in the amount of \$9,326 and omitted deposits in transit of \$1,313. In September of 2018, as a part of our audit, we performed a bank reconciliation for December 31, 2017, 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 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)

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.

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COUNTY PROSECUTING ATTORNEY  
WHITLEY COUNTY

COUNTY PROSECUTING ATTORNEY  
WHITLEY COUNTY  
FEDERAL FINDING

***FINDING 2017-002***

Subject: Child Support Enforcement - Allowable Costs/Cost Principles, Reporting  
Federal Agency: Department of Health and Human Services  
Federal Program: Child Support Enforcement  
CFDA Number: 93.563  
Federal Award Number and Year (or Other Identifying Number): FY 2017  
Compliance Requirements: Allowable Costs/Cost Principles, Reporting  
Pass-Through Entity: Indiana Department of Child Services  
Audit Findings: Material Weakness, Modified Opinion

*Condition*

An effective internal control system, which would include segregation of duties, was not in place at the County Prosecuting Attorney's office in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles and Reporting compliance requirements.

The County Prosecuting Attorney did not comply with the allowable costs and reporting requirements for the personal services amounts reported in 2017 on 11 of 12 Monthly Reimbursement Claims for Title IV-D Expenditures. The County Prosecuting Attorney's office inaccurately calculated employees' gross pay and fringe benefits for those months.

This error resulted in known questioned costs of \$48,922.

*Context*

The lack of controls and the noncompliance were systemic issues throughout the audit period.

*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 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

COUNTY PROSECUTING ATTORNEY  
WHITLEY COUNTY  
FEDERAL FINDING  
(Continued)

- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost. . . .
- (g) Be adequately documented. . . ."

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;
- (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. . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following: . . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

*Cause*

The County had not developed a system of internal controls that would have ensured compliance with the allowable costs and reporting requirements.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the allowable costs and reporting requirements could have resulted in the loss of federal funds to the County.

COUNTY PROSECUTING ATTORNEY  
WHITLEY COUNTY  
FEDERAL FINDING  
(Continued)

*Questioned Costs*

Known questioned costs of \$48,922 were identified as detailed in the *Condition*.

*Recommendation*

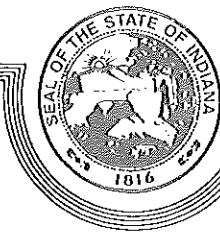
We recommended that the County's management establish controls to ensure compliance and comply with the Allowable Costs/Cost Principles and Reporting compliance requirements.

*Views of Responsible Officials*

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

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 2017-002***

PROSECUTOR'S  
STAFF

**Contact Person Responsible for Corrective Action:** D.J. Sigler, Jr., Prosecutor

Jennifer E. Fulk

**Contact Phone Number:** 260-244-3000

Jennifer R. Patrick

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

Kristina M. Stinson

**Description of Corrective Action Plan:**

PROSECUTOR'S  
INVESTIGATOR

Corrective Action Plan: We are putting into place a system of internal controls for completing the Personal Service Worksheets to eliminate any future error(s) in computation. We are taking corrective action beginning with the Monthly Expense Claim (MEC) in August of 2018 by making a prior period adjustment and will continue adjustments for September and October MECs until the amount of the error is fully corrected. This Corrective action was taken after consultation with the Indiana State Board of Accounts and the Indiana Child Support Bureau.

Michael S. Christie

VICTIM'S  
ADVOCATE

Denice R. Spencer

**Anticipated Completion Date:** October, 2018

Dated this 18<sup>th</sup> day of September, 2018

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

COUNTY PROSECUTING ATTORNEY  
WHITLEY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 20, 2018, with D. J. Sigler, Jr., County Prosecuting Attorney; Jennifer Fulk, Office Administrator; George A. Schrupf, President of the Board of County Commissioners; John Barrett, County Council member; and William Overdeer, County Council member.