

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WAYNE COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
03/28/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Kimberly A. Walton	01-01-20 to 12-31-22
County Treasurer	Cathy Williams Nancy Funk	01-01-20 to 12-31-20 01-01-21 to 12-31-22
Clerk of the Circuit Court	Debra Berry	01-01-20 to 12-31-22
County Sheriff	Randy Retter	01-01-20 to 12-31-22
County Recorder	Debby Resh	01-01-20 to 12-31-22
President of the Board of County Commissioners	Kenneth E. Paust	01-01-20 to 12-31-22
President of the County Council	Jeffrey C. Plasterer Robert Chamness Beth Leisure	01-01-20 to 12-31-20 01-01-21 to 12-31-21 01-01-22 to 12-31-22



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, 2020 to December 31, 2020. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement Audit Report of the County, which provides our opinions on the County's financial statement. This report may be found at www.in.gov/sboa/.

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 Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

March 16, 2022

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COUNTY AUDITOR
WAYNE COUNTY

COUNTY AUDITOR
WAYNE COUNTY
AUDIT RESULTS AND COMMENTS

CARES ACT FUND

Condition and Context

The County did not properly account for the Coronavirus Relief Fund (CRF) in accordance with the State Examiner Directive 2020-3 (Directive).

The County created a CARES fund. Expenditures for costs other than payroll were made from the fund in anticipation of receipt of reimbursement for allowable expenditures. However, these expenses were not requested for reimbursement. Instead, the County requested reimbursement for public health and safety payroll costs.

Reimbursement from the Indiana Finance Authority (IFA) for the public health and safety payroll costs received on December 21, 2020, was receipted into the General fund instead of the CARES fund. An ordinance was not passed as outlined in option two, which would have allowed for the funds to be claimed to the General fund.

The expenditures for which the County did not request reimbursement remained in the CARES fund at year end. This caused the fund to have a negative year-end balance. The County should have processed reversing entries for the expenditures in the CARES fund at the time it was determined the expenses would not be reimbursed.

Criteria

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

Option One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

Option Two. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

COUNTY AUDITOR
WAYNE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020.** . . .

Transactions for other permitted costs reimbursed by IFA must be accounted for through one of the following prescribed frameworks.

Framework One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. Reimbursed disbursements originally incurred in another fund will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the fund cash balance and re-appropriate the fund in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the original fund, it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section. . . .

Framework Three. If you have created a negative balance in your CARES fund based on expenditures made in anticipation of receipt of reimbursement for allowable expenditures where invoices have already been submitted to IFA then leave as is and receipt reimbursement when received, bringing the balance in the separate CARES grant fund to zero. Going forward, expend any anticipated allowable expenditures from a fund with an appropriation and follow framework one. If a negative balance in the CARES grant fund is not fully reimbursed, then the unreimbursed amount will require a reverse entry and posting of the expenditure to the general or other appropriate fund within an appropriated line item. (State Examiner Directive 2020-3)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The County improperly certified on the Indiana Gateway for Government Units financial reporting system that the training on the internal control standards had been completed for all required employees. Not all required employees had received the training.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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](#)."

COUNTY AUDITOR
WAYNE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS OVER RECEIPTS

Condition and Context

There was no review of the recording of receipts to the ledger by anyone other than the preparer.

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. . . ."

CLASSIFICATION OF RECEIPTS

Condition and Context

Receipts were not properly classified in the financial statement presented for audit. Adjustments were proposed, approved, and made to the financial statement.

Criteria

Under this prescribed uniform accounting system it is required that detail revenue (receipt) accounts be kept for the County General Fund, the County Welfare Fund and any other fund having a number of sources of receipts. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 6)

COUNTY AUDITOR
WAYNE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2022, with Kimberly Walton, County Auditor; Jeff Plasterer, County Commissioner; Beth Leisure, President of the County Council; Max Smith, County Council member; Gary Saunders, County Council member; Cathy Williams, County Council member; Ron Cross, County Attorney; and Jennie Bailey, Chief Deputy County Auditor.

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BOARD OF COUNTY COMMISSIONERS
WAYNE COUNTY

BOARD OF COUNTY COMMISSIONERS
WAYNE COUNTY
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

New employees who collect money, write receipts, post transactions, and perform reconcilements in the Clerk of the Circuit Court and County Treasurer offices had not received proper training on internal control standards.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

BOARD OF COUNTY COMMISSIONERS
WAYNE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2022, with Kimberly Walton, County Auditor; Jeff Plasterer, County Commissioner; Beth Leisure, President of the County Council; Max Smith, County Council member; Gary Saunders, County Council member; Cathy Williams, County Council member; Ron Cross, County Attorney; and Jennie Bailey, Chief Deputy County Auditor.

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COUNTY SHERIFF
WAYNE COUNTY

COUNTY SHERIFF
WAYNE COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

Condition and Context

There was a deficiency in the internal control system of the County Sheriff's office related to cash and investments and financial transactions and reporting.

There was no documentation of the review of the monthly reconciliations for the Inmate Trust and Commissary accounts by someone other than the preparer. There was also no documentation of a review of the amounts reported on the Supplemental Annual Financial Report for the audit period.

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 SHERIFF
WAYNE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 15, 2022, with Randy Retter, County Sheriff, and Melinda Murray, Sheriff Department Finance Manager.

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CLERK OF THE CIRCUIT COURT
WAYNE COUNTY

CLERK OF THE CIRCUIT COURT
WAYNE COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER CASH AND INVESTMENTS

Condition and Context

There was a deficiency in the internal control system of the Clerk of the Circuit Court related to cash and investments.

There was no documentation of a review of the monthly reconciliations for the Clerk Trust and the Clerk Child Support ISETS accounts by anyone other than the preparer.

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. . . ."

CLERK OF THE CIRCUIT COURT
WAYNE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2022, with Debbie Berry, Clerk of the Circuit Court.