

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

FEDERAL SINGLE AUDIT REPORT

OF

ALLEN COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
12/06/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Tera K. Klutz Nicholas D. Jordan	01-01-15 to 01-18-17 01-19-17 to 12-31-18
County Treasurer	Susan L. Orth William F. Royce	01-01-13 to 12-31-16 01-01-17 to 12-31-20
Clerk of the Circuit Court	Lisbeth A. Borgmann	01-01-15 to 12-31-18
County Sheriff	David J. Gladioux	01-01-15 to 12-31-18
County Recorder	Anita A. Mather	01-01-15 to 12-31-18
Circuit Court Judge	Honorable Thomas J. Felts	01-01-15 to 12-31-20
Superior Court Judge	Honorable Daniel G. Heath	01-01-15 to 12-31-20
President of the Board of County Commissioners	F. Nelson Peters Therese M. Brown	01-01-16 to 12-31-16 01-01-17 to 12-31-17
President of the County Council	Roy A. Buskirk (deceased) (Vacant) Larry L. Brown	01-01-16 to 11-06-16 11-07-16 to 11-16-16 11-17-16 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE ALLEN COUNTY, INDIANA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Allen County (County), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 26, 2017. The opinions to the financial statements were qualified due to a qualified opinion on the aggregate discretely presented component units.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

October 26, 2017



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF ALLEN COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited Allen County's (County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on Equitable Sharing Program

As described in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding the Equitable Sharing Program related to the Reporting, Procurement and Suspension and Debarment, and Special Tests and Provisions - Wage Rate Requirements compliance requirements. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Qualified Opinion on Equitable Sharing Program

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Equitable Sharing Program* paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Equitable Sharing Program for the year ended December 31, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2016.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-001, 2016-002, and 2016-003, that we consider to be material weaknesses.


The County's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated October 26, 2017, which contained unmodified opinions on those financial statements except for the aggregate discretely presented component units, for which the opinion was qualified. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.


Paul D. Joyce, CPA
State Examiner

October 26, 2017

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were prepared by management of the County. The schedule and notes are presented as intended by the County.

Allen County
Schedule of Expenditures of Federal Awards
For the Year Ending December 31, 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient	Total Federal Award Expended
Department of Agriculture					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY 2016	\$ -	\$ 52,247
School Breakfast					
National School Lunch Program		10.555	FY 2016	-	97,328
School Lunch					
Total - Child Nutrition Cluster				-	149,575
Total - Department of Agriculture				-	149,575
Department of Justice					
State Criminal Alien Assistance Program	Direct Grant	16.606	2016-H1551-IN-AP	-	8,079
Criminal Alien Assist Grant					
Equitable Sharing Program	Direct Grant	16.922	FY 2016	10,000	355,735
Asset Seizure - Sheriff					
Juvenile Accountability Block Grants	Indiana Criminal Justice Institute	16.523	2015-JB-FX-0068	-	12,923
Crime Victim Assistance	Indiana Criminal Justice Institute	16.575	2015-VOCA-4264	-	36,197
Victims of Crime			2016-VOCA-4264	-	12,280
Total - Crime Victim Assistance				-	48,477
Violence Against Women Formula Grants	Indiana Criminal Justice Institute	16.588	2014-WF-AX-0005	-	35,894
Violence Against Women Office			16STOP5115	-	21,952
Total - Violence Against Women Formula Grants				-	57,846
Edward Byrne Memorial Justice Assistance Grant Program	Indiana Criminal Justice Institute	16.738	2015-DJ-BX-1071	-	95,100
Air Service Pilot Fund			D3-16-10844	-	11,694
Sheriff Drug Task Force					
Total - Edward Byrne Memorial Justice Assistance Grant Program				-	106,794
Total - Department of Justice				10,000	589,854
Department of Transportation					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
NIRCC			16800647 FY 2016	-	353,221
NIRCC			16803029 FY 2016	-	7,875
NIRCC			16702753 FY 2016	-	52,599
NIRCC			17805329 FY 2016	-	177,058
NIRCC			17802586 FY 2016	-	8,625
NIRCC			17802816 FY 2016	-	31,098
Preliminary Engineering			Des. 400582	-	95,598
Construction Engineering			Des. 400583	-	64,553
Construction Engineering			Des. 400584	-	153,051
Utility Relocation			Des. 400584	-	344,147
Preliminary Engineering			Des. 400584	-	114,439
Right of Way			Des. 400584	-	82,858
Construction Engineering			Des. 710075	-	4,205
Construction Engineering			Des. 710077	-	3,007
Preliminary Engineering			Des. 1297238	-	79,324
Construction Engineering			Des. 1297753	-	1,126
Preliminary Engineering			Des. 1382100	-	165,705
Right of Way			Des. 1382492	-	64,895
Preliminary Engineering			Des. 1382497	-	60,486
Right of Way			Des. 1382497	-	12,996
Preliminary Engineering			Des. 1382818	-	27,800
Right of Way			Des. 1382818	-	47,666
Right of Way			Des. 1592356	-	57,019
Construction Engineering			Des. 1592356	-	123,723
Total - Highway Planning and Construction Cluster				-	2,133,074
Highway Safety Cluster	City of Fort Wayne	20.600	D3-17-11165	-	37,867
State and Community Highway Safety					
Total Highway Safety Cluster				-	37,867
Interagency Hazardous Materials Public Sector Training and Planning Grants	Indiana Department of Homeland Security	20.703	HM-HMP-0498-15-01	-	13,000
Hazardous Materials Emergency Preparedness					
Total - Department of Transportation				-	2,183,941
Environmental Protection Agency					
State Indoor Radon Grants	Indiana State Department of Health	66.032	14449	-	180
Total - Environmental Protection Agency				-	180

Allen County
Schedule of Expenditures of Federal Awards
For the Year Ending December 31, 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient	Total Federal Award Expended
<u>Department of Health and Human Services</u>					
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Centers for Disease Control and Prevention	Indiana Department of Health	93.074	HPP 16801	-	3,459
Immunization Cooperative Agreements		93.268	A70-5-0731158	-	149,254
Child Support Enforcement Child Support Enforcement	Indiana Department of Child Services	93.563	FY 2016	-	2,718,773
Refugee and Entrant Assistance_State Administered Programs Refugee Health Screens	Indiana Family and Social Services Administration	93.566	A70-5-106111	-	35,877
State Court Improvement Program Court Improvement	Indiana Supreme Court	93.586	Allen-CIP-2015BT Allen-CIP-2016BD	- -	20,958 4,125
Total - State Court Improvement Program				-	25,083
HIV Prevention Activities_Health Department Based HIV/AIDS Program	Indiana Department of Health	93.940	U62PS003682	-	31,800
Total - Department of Health and Human Services				-	2,964,246
<u>Department of Homeland Security</u>					
Emergency Management Performance Grants	Indiana Department of Homeland Security	97.042	16348 14516	- -	92,346 5,111
Total - Emergency Management Performance Grants				-	97,457
Homeland Security Grant Program		97.067	C44P-5-567B	-	7,403
Total - Department of Homeland Security				-	104,860
				\$ 10,000	\$ 5,992,656

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

ALLEN COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 2016. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the County, it is not intended to and does not present the financial position of the County.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

ALLEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
Material weakness identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
16.922	Equitable Sharing Program Highway Planning and Construction Cluster	Qualified Unmodified

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	no

Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-001

Subject: Equitable Sharing Program - Reporting
 Federal Agency: Department of Justice
 Federal Program: Equitable Sharing Program
 CFDA Number: 16.922
 Federal Award Number and Year (or Other Identifying Number): FY 2016
 Compliance Requirement: Reporting
 Audit Findings: Material Weakness, Modified Opinion - Noncompliance

ALLEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 Reporting compliance requirement.

The County is a participant in the Department of Justice Equitable Sharing Program. Participants must annually submit an Equitable Sharing Agreement and Certification form to the Department of Justice Criminal Division, Asset Forfeiture and Money Laundering Section. The purpose of this form is for participants to certify that they have read and understood their obligations under the Equitable Sharing Agreement and to disclose their financial activity of the program. The form submitted by the County for calendar year ending 2016 did not agree to the County Auditor's fund ledgers.

Context

The County's Equitable Sharing Agreement and Certification form contained the following errors:

1. The beginning Equitable Sharing fund balance was overstated by \$100,436.
2. Other income was understated by \$24,529.
3. Law enforcement operations and investigations expenditures were overstated by \$6,100.
4. Training and education expenditures were overstated by \$1,765.
5. Law enforcement equipment expenditures were understated by \$2,857.

Criteria

2 CFR 200.302(b)(2) states in part:

"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. . . ."

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). . . ."

Cause

Management had not developed a system of internal controls that would have ensured accurate reporting of the Equitable Sharing Agreement and Certification form.

ALLEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The failure to establish internal controls 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, including segregation of duties, to ensure compliance with the grant agreement and the Reporting compliance requirement.

Views of Responsible Officials

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

FINDING 2016-002

Subject: Equitable Sharing Program - Procurement and Suspension and Debarment

Federal Agency: Department of Justice

Federal Program: Equitable Sharing Program

CFDA Number: 16.922

Federal Award Number and Year (or Other Identifying Number): FY 2016

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion - Noncompliance

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 Procurement and Suspension and Debarment compliance requirement.

The Department of Justice Criminal Division, Asset Forfeiture and Money Laundering Section (AFMLS) issued the *Guide to Equitable Sharing for State and Local Law Enforcement Agencies* for permissible uses of Equitable Sharing Program funds. According to this guide, approval from the AFMLS is required prior to making capital expenditures relating to law enforcement and detention facilities. On August 5, 2016, the County contracted with a construction company to construct a training facility for the County Sheriff's Department. The construction of the training facility was funded through Equitable Sharing Program funds. The County received approval from the AFMLS after the procurement of the training facility on August 15, 2017.

Furthermore, the County did not verify that the awarded construction company was not suspended or debarred. The communications with the awarded construction company did not contain any statements regarding suspension or debarment.

Context

The lack of controls and noncompliance related to the Procurement and Suspension and Debarment compliance requirement were systemic issues during the audit period.

ALLEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

Guide to Equitable Sharing for State and Local Law Enforcement Agencies, Chapter VIII, A.1 states in part:

"c. **Law enforcement and detention facilities**—the costs associated with the purchase, lease, construction, expansion, improvement, or operation of law enforcement or detention facilities used or managed by the recipient agency. . . . Approval from AFMLS is required prior to making such capital expenditures. . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

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). . . ."

Cause

Management had not developed a system of internal controls relating to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish internal controls 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, including segregation of duties, to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

ALLEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

FINDING 2016-003

Subject: Equitable Sharing Program - Special Tests and Provisions - Wage Rate Requirements
Federal Agency: Department of Justice
Federal Program: Equitable Sharing Program
CFDA Number: 16.922
Federal Award Number and Year (or Other Identifying Number): FY 2016
Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements
Auditing Findings: Material Weakness, Modified Opinion - Noncompliance

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 Special Tests and Provisions - Wage Rate Requirements.

On August 5, 2016, the County contracted with a construction company to construct a training facility for the County Sheriff's Department. The construction of the training facility was funded through Equitable Sharing Program funds. The County did not request or receive certified payrolls from the construction company to determine if prevailing wages were being properly paid.

Context

No certified payrolls from the construction company were received for any of the weeks during which construction was performed. The lack of controls and noncompliance related to the Special Tests and Provisions - Wage Rate Requirements compliance requirement were systemic issues.

Criteria

2 CFR 200.326 states:

"The non-Federal entity's contracts must contain the applicable provisions described in Appendix II to Part 200—Contract Provisions for non-Federal Entity Contracts Under Federal Awards."

2 CFR Appendix II to Part 200(D) states in part:

"Davis-Bacon Act, as amended (40 U.S.C. 3141-3148). When required by Federal program legislation, all prime construction contracts in excess of \$2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 CFR Part 5, 'Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction'). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. . . ."

ALLEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

29 CFR section 5.5(a)(3)(ii)(A) states in part:

"The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). The payrolls submitted shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i) . . ."

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). . . ."

Cause

Management had not developed a system of internal controls relating to the grant agreement and the compliance requirements for Special Tests and Provisions - Wage Rate Requirements.

Effect

The failure to establish internal controls 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, including segregation of duties, to ensure compliance with the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

Views of Responsible Officials

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

AUDITEE-PREPARED SCHEDULES

The subsequent schedules were provided by management of the County. The schedules are presented as intended by the County.



Allen County Sheriff's Department
David J. Gladieux
Sheriff



October 11, 2017

State Board of Accounts
ATTN: Stacy Ross, CPA – Field Examiner

Re: Corrective Action Plan
Federal Award Program Findings - FY 2016

Contact Person Responsible for Corrective Action: David J. Gladieux, Sheriff
Contact Phone Number: 260-449-7535

Corrective Action Plan Preparer: Angela Terry, Assistant Comptroller
Contact Phone Number: 260-449-4535

CORRECTIVE ACTION PLAN

FINDING 2016-001 – Equitable Sharing Program – Reporting

VIEWS: After reviewing with Ms. Ross, this department acknowledges issues with reporting of balances to the Department of Justice as listed in the Findings Report.

CORRECTIVE ACTION: This department will now coordinate and meet with a representative from the Allen County Auditor's Office to confirm beginning balances and amounts of federal funds spent each year prior to filing the Annual Certification Report with the Department of Justice. This may require a joint meeting with the Department of Justice Representative assigned to this agency, in which case, we will coordinate.

ANTICIPATED COMPLETION DATE: The Department of Justice Certification is due by the last day in February each year, so this will be completed early to mid-January annually.

FINDING 2016-002 – Equitable Sharing Program – Procurement, Suspension, and Debarment

VIEWS: After reviewing findings with Ms. Ross, this department acknowledges that the required procedures were not followed before administering capital improvements to the Department's training facility according to the Equitable Sharing Guide issued by the Department of Justice.

CORRECTIVE ACTION: This oversight was brought to the attention of the Department during the State Board of Accounts Audit, and at that time, Angela Terry contacted the Department of Justice to request approval for the training center expansion. Approval was given, and is attached. This action has been corrected and implemented for a planned Law Enforcement K9 Facility.

State Board of Accounts

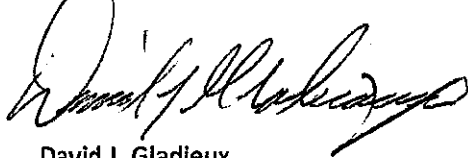
Page 2 of 2

October 11, 2017

ANTICIPATED COMPLETION DATE: This was corrected August 15, 2017. Future Capital Improvement Requests will be submitted prior to Department commitment to purchase, lease, construct, or expand law enforcement or detention facilities.

Please do not hesitate to contact my office if you do not find this plan to be sufficient.

Sincerely,

A handwritten signature in black ink, appearing to read "David J. Gladioux". The signature is fluid and cursive, with a large initial "D" and "G".

David J. Gladioux
Sheriff of Allen County
October 11, 2017

Enclosures
DJG:ayt

Angela Terry

From: afmls.aca
Sent: Tuesday, August 15, 2017 10:45 AM
To: Angela Terry
Cc: Gray, Yasmearne (CRM)
Subject: RE: Capital Improvement Request

Terry,

The Guide to Equitable Sharing for State and Local Law Enforcement Agencies (July 2014), Section V.B.1.c allows for the construction, renovation, and improvement of law enforcement facilities for use by law enforcement personnel.

Accordingly, the Allen County Sheriff's Department may use its DOJ equitable sharing funds to expand its Training facility.

Please ensure you follow your jurisdiction's procurement policies.

From: Angela Terry
Sent: Tuesday, August 15, 2017 9:19 AM
To: afmls.aca
Subject: Capital Improvement Request

The Allen County Sheriff's Office requests approval for use of funds from the Equitable Sharing program for a Training Center expansion.

The improvement is a garage for housing SWAT and other department equipment. Cost approximately \$333,000.00. The property is owned by the county.

Angela Terry
Allen County Sheriff's Department
715 S. Calhoun Street, Room 101 Courthouse
Fort Wayne, IN 46802
Phone: 260-449-4535
Fax: 260-449-7915





**ALLEN COUNTY DEPARTMENT
OF PUBLIC PURCHASE**

Dawn Rose, Director

**Citizens Square
200 E. Berry St., Suite 495
Fort Wayne, IN 46802**

**Phone: (260)449-7567
Fax: (260)449-8978
www.co.allen.in.us/purchasing**

Corrective Action Plan
Finding 2016-002

October 23, 2017

Contact person responsible for the corrective action: Dawn Rose
Contact Phone Number: 260-449-7222

Views of Responsible Official: Allen County Department of Public Purchase concurs with the finding and proposes this corrective action plan.

Subject: Equitable Sharing Program – Procurement, Suspension, and Debarment

Description of Corrective Action Plan:

In order for the Board of Commissioners of the County of Allen to award a contract for a public works project expected to equal or exceed \$25,000, and funded through the Equitable Sharing Program, a search of the System of Award Manager Center website will take place confirming Contractor is not excluded or disqualified per established requirements for Procurement, Suspension, and Debarment.

Allen County Department of Public Purchase will be responsible for verification involving federally funded public works projects utilizing the Equitable Sharing Program funds.

Specific verbiage will be added to bid specification documents informing bidders of this compliance requirement.

Anticipated Completion Date:

It is anticipated that the creation and implementation of this procedure will begin as soon as possible but no later than January 2, 2018.



**ALLEN COUNTY DEPARTMENT
OF PUBLIC PURCHASE**

Dawn Rose, Director

**Citizens Square
200 E. Berry St., Suite 495
Fort Wayne, IN 46802**

**Phone: (260)449-7567
Fax: (260)449-8978
www.co.allen.in.us/purchasing**

Finding 2016-003

Contact person responsible for the corrective action: Dawn Rose
Contact Phone Number: 260-449-7222

Views of Responsible Official: Allen County Department of Public Purchase concurs with the finding and proposes this corrective action plan. Subject: Equitable Sharing Program – Compliance with Special Tests and Provisions – Wage Rate Requirements

Description of Corrective Action Plan:

This fund was established to receive and disburse Allen County's share of Federal Forfeiture income and states that the fund shall be administered by the Allen County Sheriff and the sheriff shall be charged with compliance with all other aspects of the Federal Forfeited Property Rules.

The Board of Commissioners of the County of Allen will create a procedure for implementation, review and document control for the Davis-Bacon Act; related to certified payroll review and verification procedures. This procedure will identify the roles of the individuals responsible for completing the tasks. The Board of Commissioners is currently exploring contracting with NIRCC to handle non-highway federal contract compliance work.

Anticipated Completion Date:

It is anticipated that the creation and implementation of this procedure will require several meetings in order to involve legal counsel for Allen County Sheriff's Department, the sheriff's internal staff designee responsible for compliance of the Equitable Sharing Program, Allen County's attorney, Allen County purchasing director, a NIRCC representative and the Board of Commissioners' legal liaison.

The target date will be January 2, 2018.

OTHER REPORTS

In addition to this report, other reports may have been issued for the County. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.