

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

SUPPLEMENTAL COMPLIANCE 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             | 01-01-15 to 01-18-17 |
|   | Nicholas D. Jordan        | 01-19-17 to 12-31-18 |
| County Treasurer                                  | Susan L. Orth             | 01-01-13 to 12-31-16 |
|   | William F. Royce          | 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<br>County Commissioners | F. Nelson Peters          | 01-01-16 to 12-31-16 |
|   | Therese M. Brown          | 01-01-17 to 12-31-17 |
| President of the<br>County Council                | Roy A. Buskirk (deceased) | 01-01-16 to 11-06-16 |
|   | (Vacant)                  | 11-07-16 to 11-16-16 |
|   | Larry L. Brown            | 11-17-16 to 12-31-17 |



**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 ALLEN COUNTY, INDIANA

This report is supplemental to our audit report of Allen 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 Results and Comments 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 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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

October 26, 2017

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CLERK OF THE CIRCUIT COURT  
ALLEN COUNTY

CLERK OF THE CIRCUIT COURT  
ALLEN COUNTY  
AUDIT RESULT AND COMMENT

***SUPPLEMENTAL COUNTY ANNUAL REPORT (CAR-1)***

The Clerk of the Circuit Court's Supplemental Annual Report (CAR-1) for 2016 was filed using incorrect amounts. The County Auditor uses the information from the CAR-1 reports for reporting on the County's Annual Financial Report (AFR) submitted through Gateway. As a result, the information on the 2016 AFR was incorrect as well as the financial statement. An adjustment to correct this error was made to the financial statement and approved by the County's management.

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."



**LISBETH A. BORGMANN**

**Clerk of the Allen Circuit and Superior Courts**

Allen County Courthouse ♦ 715 S. Calhoun Street ♦ Fort Wayne, Indiana ♦ 46802

October 19, 2017

Susan Metzger, CPA  
Audit Manager – State Board of Accounts  
302 W. Washington Street, Room E418  
Indianapolis, IN 46204-2765

Re: Clerk of the Courts 2017 Audit Response

Dear Susan:

This investment reporting issue will be addressed immediately. We appreciate the State Board of Accounts pointing out the reporting limitation within the Odyssey case management system.

Sincerely,

Lisbeth A. Borgmann  
*Clerk of the Court*

CLERK OF THE CIRCUIT COURT  
ALLEN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 17, 2017, with Lisbeth A. Borgmann, Clerk of Circuit Court; Chris Nancarrow, Chief Deputy Clerk of the Circuit Court; and Jane Brewer, Bookkeeper.

The contents of this report were discussed on October 26, 2017, with F. Nelson Peters, County Commissioner; Larry L. Brown, President of the County Council; and Tom Harris, County Councilman.

COUNTY ADULT PROBATION DEPARTMENT  
ALLEN COUNTY

COUNTY ADULT PROBATION DEPARTMENT  
ALLEN COUNTY  
AUDIT RESULTS AND COMMENTS

**CONDITION OF RECORDS**

The County Adult Probation Department (Department) did not have adequate controls in place to properly account for the transactions and account balances of the Department. The following deficiencies relating to the recordkeeping were noted:

1. Depository reconciliations of the Adult Probation Ledger balance to the bank account balance were conducted; however, the reconciliations contained incorrect outstanding check lists and unidentified variances in receipts, disbursements, and balances each month.

In August 2017, as part of our audit, we performed a bank reconciliation for December 31, 2016. The difference between the adjusted bank balance and the Adult Probation Ledger indicated cash necessary to balance in the amount of \$654 at December 31, 2016.

2. Records presented for audit indicated that the Adult Probation Ledger was not properly posted. At December 31, 2016, the following variance was noted:

| Amount    | Description  |
|-----------|--|
| \$ 15,553 | Probation User and Other Fees                                  |
| 50,344    | Restitution  |
| 65,897    | Adult Probation Ledger   |
| 40,375    | Restitution Payable Accounts Register                          |
| 25,752    | December 16 - 31 Fees Collected                                |
| 66,127    | Calculated Balance   |
| \$ (230)  | Variance between Adult Probation Ledger and Calculated Balance |

3. Records presented for audit indicated a variance between the Restitution on the Adult Probation Ledger and the Restitution detail at December 31, 2016:

| Amount    | Description                            |
|-----------|--|
| \$ 50,344 | Restitution per Adult Probation Ledger |
| 40,375    | Restitution Payable Accounts Register  |
| \$ 9,969  | Variance                               |

COUNTY ADULT PROBATION DEPARTMENT  
ALLEN COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

A similar comment appeared in prior Report B47079, entitled *CONDITION OF RECORDS*.

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

***INTERNAL CONTROLS***

Internal controls over the accounting for the financial activities were insufficient. Depository reconciliations were not approved.

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. . . ."



THOMAS J. FELTS  
Judge

ADULT PROBATION DEPARTMENT  
of  
ALLEN COUNTY

Allen County Courthouse Annex  
113 West Berry Street, 3<sup>rd</sup> Floor  
Fort Wayne, IN 46802-2303

PHONE: (260) 449-7113  
FAX: (260) 449-7285

ERIC ZIMMERMAN  
Chief Probation Officer

October 25, 2017

State Board of Accounts  
302 W. Washington Street  
Room E418  
Indianapolis, IN 46204-2765

OFFICIAL RESPONSE

Below is the response concerning the audit of the Allen County Adult Probation Department that was conducted by the State Board of Accounts (SBA) in 2017 for fiscal year 2016.

The Department is seeking a full-time Financial Director position that will be responsible for, among other budgeting responsibilities, daily, weekly, monthly, and annual reconciliation, as well as oversight of the Adult Probation Ledger and the Restitution Ledger and establishing and implementing necessary standard-practice controls. This position, if approved, would start in January, 2018 and will be a 4 year degreed, trained accountant with at least 3 years' experience in public sector accounting. It has become apparent the responsibility of oversight has grown beyond the skills and abilities of the administrative assistant currently assigned to this complex task. Furthermore, many controls identified as lacking in the 2016 audit have been implemented in 2017. This should eliminate frontline personnel from making mistakes, mistakes being caught quicker, and reconciliation occurring faster and sooner that have led to the exceptions noted in the audit. It is our highest priority to eliminate the continued exceptions.

We appreciate the opportunity to provide you with our response.

Sincerely,

Eric Zimmerman  
Chief Probation Officer

EZ: mod

COUNTY ADULT PROBATION DEPARTMENT  
ALLEN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 17, 2017, with Eric Zimmerman, Director of Court Services/Chief Probation Officer, and Sandra Egts, Executive Secretary.

The contents of this report were discussed on October 26, 2017, with F. Nelson Peters, County Commissioner; Larry L. Brown, President of the County Council; and Tom Harris, County Councilman.

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COUNTY JUVENILE PROBATION DEPARTMENT  
ALLEN COUNTY

COUNTY JUVENILE PROBATION DEPARTMENT  
ALLEN COUNTY  
AUDIT RESULTS AND COMMENTS

***BANK ACCOUNT RECONCILIATIONS***

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations contained the following errors:

1. The December 31, 2016 bank reconciliation was completed by the Indiana State Board of Accounts in August 2017. The bank reconciliation indicated cash necessary to balance at December 31, 2016, in the amount of \$701.
2. The December 31, 2015, reconciliation identified an amount of \$592 as a "Deposit in Transit" dated February 28, 2015. Although this item has been proven to be an error in converting accounting systems, an attempt to correct this item was unsuccessful. This is a reconciling item at December 31, 2016.
3. The outstanding check list for December 31, 2016, was not complete.

A similar comment appeared in prior Report B47079, entitled *CONDITION OF RECORDS*.

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."

***INTERNAL CONTROLS***

Internal controls over the accounting for the financial activities were insufficient. Depository reconciliations were not approved.

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 JUVENILE PROBATION DEPARTMENT  
ALLEN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 17, 2017, with the Honorable Daniel G. Heath, Superior Court Judge; Jamie Mann, Chief Probation Officer/Superintendent; and Wendy Kyler, Budget Analyst.

The contents of this report were discussed on October 26, 2017, with F. Nelson Peters, County Commissioner; Larry L. Brown, President of the County Council; and Tom Harris, County Councilman.

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COUNTY SHERIFF  
ALLEN COUNTY

COUNTY SHERIFF  
ALLEN COUNTY  
FEDERAL FINDINGS

***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

*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. . . ."

COUNTY SHERIFF  
ALLEN COUNTY  
FEDERAL FINDINGS  
(Continued)

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.

*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.

COUNTY SHERIFF  
ALLEN COUNTY  
FEDERAL FINDINGS  
(Continued)

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.

*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). . . ."

COUNTY SHERIFF  
ALLEN COUNTY  
FEDERAL FINDINGS  
(Continued)

*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.

*Views of Responsible Officials*

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



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**

**IEWS:** 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**

**IEWS:** 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.

715 SOUTH CALHOUN STREET, ROOM 101 COURTHOUSE, FORT WAYNE, IN 46802-1805  
OFFICE: 260.449.7535 • FAX: 260.449.7915 • COMMUNICATION: 260.449.3000 • TDD: 260.449.7326

*"An Equal Opportunity Employer"*

State Board of Accounts

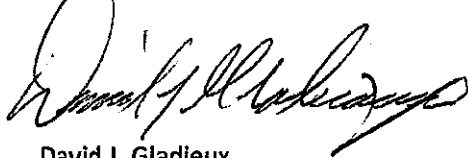
Page 2 of 2

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. Gladieux". The signature is fluid and cursive, with a large initial "D" and "G".

David J. Gladieux  
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



COUNTY SHERIFF  
ALLEN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 10, 2017, with David J. Gladioux, County Sheriff; J.C. Edwards, Chief Deputy; M.B. Vaughn, Lieutenant; Jill Werling, Comptroller; and Angela Terry, Assistant Comptroller.

The contents of this report were discussed on October 26, 2017, with F. Nelson Peters, County Commissioner; Larry L. Brown, President of the County Council; and Tom Harris, County Councilman.

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COUNTY COMMISSIONERS/PURCHASING  
ALLEN COUNTY

COUNTY COMMISSIONERS/PURCHASING  
ALLEN COUNTY  
FEDERAL FINDING

**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.

*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:

COUNTY COMMISSIONERS/PURCHASING  
ALLEN COUNTY  
FEDERAL FINDING  
(Continued)

- (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.

*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

COUNTY COMMISSIONERS/PURCHASING  
ALLEN COUNTY  
FEDERAL FINDING  
(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 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. . . ."

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) . . ."

COUNTY COMMISSIONERS/PURCHASING  
ALLEN COUNTY  
FEDERAL FINDING  
(Continued)

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.



**ALLEN COUNTY DEPARTMENT  
OF PUBLIC PURCHASE**

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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.



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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.

COUNTY COMMISSIONERS/PURCHASING  
ALLEN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 10, 2017, with Dawn Rose, Purchasing Director.

The contents of this report were discussed on October 26, 2017, with F. Nelson Peters, County Commissioner; Larry L. Brown, President of the County Council; and Tom Harris, County Councilman.