

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ALLEN COUNTY, INDIANA

January 1, 2017 to December 31, 2017



**FILED**

09/27/2018



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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	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. Gladieux	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 01-31-20
President of the Board of County Commissioners	Therese M. Brown	01-01-17 to 12-31-18
President of the County Council	Larry L. Brown Joel M. Benz	01-01-17 to 12-31-17 01-01-18 to 12-31-18



**STATE OF INDIANA**  
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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, 2017 to December 31, 2017. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement Audit Report and Federal Single Audit Report of the County, which provide our opinions on the County's financial statement and federal program compliance. These reports 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

August 28, 2018

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COUNTY ADULT PROBATION DEPARTMENT  
ALLEN COUNTY

COUNTY ADULT PROBATION DEPARTMENT  
ALLEN COUNTY  
AUDIT RESULTS AND COMMENTS

**CONDITION OF RECORDS**

A similar comment appeared in prior Report B47079 and B49103, entitled *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 were incomplete in reconciling the month end Adult Probation Ledger balance.

In June 2018, as part of our audit, we performed a bank reconciliation for December 31, 2017. The difference between the adjusted bank balance and the Adult Probation Ledger indicated cash necessary to balance in the amount of \$891 at December 31, 2017.

2. Records presented for audit indicated that the December 31, 2017 balance of the Adult Probation User Fees was \$10,198 lower than the Adult Probation Ledger. The variance is due to an over-remittance of Probation User Fees to the County Auditor that had occurred prior to December 31, 2016.
3. Records presented for audit indicated that the Restitution detail was \$19,990 less than the Restitution on the Adult Probation Ledger at December 31, 2017. The Restitution Detail was understated due to checks not being issued or printed when disbursements were posted in the accounting system. A review of Restitution disbursements have shown that at least 31 individuals should be added to the Restitution detail in amount \$19,734.

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)

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:

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

"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. . . ."

**UNCLAIMED PROPERTY**

The Adult Probation Department has been receipting stale dated checks back into the Restitution fund. These funds have not been remitted to the Indiana Attorney General's Office Unclaimed Property Division as required by statute.

Indiana Code 32-34-1-20(c) states in part:

"Property that is held, issued, or owed in the ordinary course of a holder's business is presumed abandoned if the owner or apparent owner has not communicated in writing with the holder concerning the property or has not otherwise given an indication of interest in the property during the following times: . . .

- (6) For property or proceeds held by a court or a court clerk, five (5) years after the property or proceeds become distributable. The property or proceeds must be treated as unclaimed property under IC 32-34-3. . . ."

Indiana Code 32-34-1-26(a) states:

"A holder of property that is presumed abandoned and that is subject to custody as unclaimed property under this chapter shall report in writing to the attorney general concerning the property. Items of value of less than fifty dollars (\$50) may be reported by the holder in the aggregate."

Indiana Code 32-34-1-27(a) states:

"Except as provided in the subsections (b) and (c), on the date a report is filed under section 26 of this chapter, the holder shall pay or deliver to the attorney general the property that is described in the report as unclaimed."



THOMAS J. FELTS  
Judge

ADULT PROBATION DEPARTMENT  
of  
ALLEN COUNTY

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ERIC ZIMMERMAN  
Chief Probation Officer

September 4, 2018

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

Re: OFFICIAL RESPONSE

**Report Period:** 1/1/2017 – 12/31/2017

**Contact Person:** Eric Zimmerman

**Contact person info:** Chief Probation Officer

**State Issue:**

- 1) Condition of Records: Incomplete monthly Depository reconciliations to bank account balance.
- 2) Overpayment of Adult Probation User Fees to the County Auditor occurring prior to 2017.
- 3) Restitution detail understated by 19,990 when compared to Ledger Restitution. Restitution disbursements were not sent in timely manner.

**Requirements Not Followed:**

- 1) Investment officer shall completely reconcile public funds with monthly bank statements.
- 2) At all times, ledgers and reconciled bank balances must agree.
- 3) Uniform Internal Control Standards to include adequate control activities were not met when a discrepancy between restitution detail and ledger restitution amounts were not resolved.

**Unit Response**

The Adult Probation Department agrees with the findings and has taken corrective action prior to the 2017 Audit.

**Identify the root cause:**

Condition of Records: Monthly depository reconciliations were incomplete. Prior personnel performing reconciliation did not have sufficient skill set or experience in this area. Credit Card deposits in transit were not identified.

Overpayment to Auditor: This was difficult to identify on the ledgers and without proper bank reconciliations the problem was not obvious. The problem occurred eight years prior to this and was not identified by the department or during previous audits by SBOA. Debits taken directly from the bank were not properly entered in the ledger in 2009-2010.

Restitution Detail: A specific software setting omitted amounts/names from the restitution payable detail and thus, accounts payable checks were not issued in those cases. This resulted in a difference between the two reports: restitution and restitution payable.

### **Steps to Correct**

- C.A.P.: Perform thorough and complete reconciliation spreadsheets balance each month end ledgers with the transactions at the bank as shown on bank statement. The Financial Coordinator will track and correct all discrepancies. Supporting documentation of ledger activity has already been organized for proper record keeping. We will continue to keep proper documentation.
- C.A.P.: Entry errors of merchant card fees in 2009 and 2010 resulted in series overpayments to our fund via the County Auditor. Thus our bank balance reflected a deficit of \$10,198. Monies will be transferred back into our Star Bank account for restitution payments. The overpayment has existed for 8 years and shown on the closing balance report as a discrepancy in the Probation User Fee calculation
- C.A.P.: Ledger Restitution and Restitution Payable detail has been reduced significantly at this time. The Financial Coordinator will monitor the two reports closely each day to identify any irregularities.

### **Implementation Timetable:**

- The Allen County Adult Probation Department has developed step by step procedures to perform reconciliations. We have corrected all of 2017 Bank/Ledger reconciliations and balanced reconciliations for 2018 as well.
- The Department will adjust the shortcoming to Adult Probation User Fees by 12/31/18 in collaboration with the County Auditor.
- Understated Restitution Payable Detail has been studied and corrected on a case by case basis during the last six months. The majority of discrepancies are resolved at this time. The Financial Coordinator addresses the detail on an ongoing basis. There will be small differences in the two amounts that will be documented with supporting detail from time to time – depending on the status of the recipient's account.

### **Summary of how corrections will prevent future occurrences:**

- Daily balancing of monies receipted and monies disbursed will ensure the proper allocation of the funds in our department. An accurate reconciliation of monthly ledger activity with the bank account, with supporting, organized documentation will ensure proper record keeping.

COUNTY ADULT PROBATION DEPARTMENT  
ALLEN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 27, 2018, with the Honorable Thomas J. Felts, Circuit Court Judge; Carol Strauss, Financial Coordinator; Eric Zimmerman, Director of Court Services/Chief Probation Officer; and Steve Keele, Assistant Chief of Probation.

The contents of this report were discussed on August 28, 2018, with Therese M. Brown, President of the Board of County Commissioners, and F. Nelson Peters, County Commissioner.

BOARD OF COUNTY COMMISSIONERS  
ALLEN COUNTY

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ALLEN COUNTY  
FEDERAL FINDINGS

***FINDING 2017-001***

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 2017  
Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat of Finding 2016-003 from the immediately prior audit.

*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 compliance requirement.

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 contract continued through March 2017. 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 contract 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. . . ."

BOARD OF COUNTY COMMISSIONERS  
ALLEN COUNTY  
FEDERAL FINDINGS  
(Continued)

29 CFR 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 section 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 and 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 Special Tests and Provisions - Wage Rate Requirements compliance requirement.

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected, which could have resulted in a 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.

BOARD OF COUNTY COMMISSIONERS  
ALLEN COUNTY  
FEDERAL FINDINGS  
(Continued)

***FINDING 2017-002***

Subject: Equitable Sharing Program - 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 2017  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat of Finding 2016-002 from the immediately prior audit.

*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 Suspension and Debarment compliance requirement.

On April 18, 2017, the County contracted for modular container units for the Training Facility for the County Sheriff's Department. The County did not verify that the vendor was not suspended or debarred.

*Context*

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

*Criteria*

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

BOARD OF COUNTY COMMISSIONERS  
ALLEN COUNTY  
FEDERAL FINDINGS  
(Continued)

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 and 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 Suspension and Debarment compliance requirement.

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected, which could have resulted in a 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 Suspension and Debarment compliance requirement.

*View 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**

**Dawn Rose, Director**

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Corrective Action Plan  
Finding 2017-001

July 25, 2018

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:

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.

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.



**ALLEN COUNTY DEPARTMENT  
OF PUBLIC PURCHASE**

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Corrective Action Plan  
Finding 2017-002

July 25, 2018

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 – 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.

BOARD OF COUNTY COMMISSIONERS  
ALLEN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 28, 2018, with Therese M. Brown, President of the Board of County Commissioners, and F. Nelson Peters, County Commissioner.