

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WAYNE COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
12/14/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Robert K. Coddington Kimberly A. Walton	01-01-15 to 06-04-17 06-05-17 to 12-31-18
County Treasurer	Cathy Williams	01-01-13 to 12-31-20
Clerk of the Circuit Court	Debra Berry	01-01-14 to 12-31-20
County Sheriff	Jeff Cappa	01-01-15 to 12-31-18
County Recorder	Debra S. Tiemann	01-01-15 to 12-31-18
President of the Board of County Commissioners	Kenneth E. Paust	01-01-16 to 12-31-18
President of the County Council	Peter Zaleski Jeffrey C. Plasterer	01-01-16 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF WAYNE COUNTY, INDIANA

This report is supplemental to our audit report of Wayne County (County), for the period from January 1, 2016 to December 31, 2016. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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.

The Federal Findings, identified in the above referenced audit report, are included in this report.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

November 7, 2018

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COUNTY AUDITOR
WAYNE COUNTY

COUNTY AUDITOR
WAYNE COUNTY
FEDERAL FINDING

FINDING 2016-001

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

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-001.

Condition

The County did not have a proper system of internal control in place to prevent, or detect and correct, errors over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the County's Schedule of Expenditures of Federal Awards (SEFA).

Context

The SEFA contained the following errors:

- The Edward Byrne Memorial Justice Assistance Grant Program was overstated by \$20,209 due to inclusion of local money.
- The Highway Planning and Construction Cluster was not included, which understated federal expenditures by \$368,086.
- The Interagency Hazardous Materials Public Sector Training and Planning Grants was not included, which understated federal expenditures by \$9,500.
- The Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care Centers) was understated by \$346,651.
- Various non-federal grants were included, which overstated federal expenditures by \$196,626.
- The Public Health Emergency Preparedness was understated by \$6,137.
- The Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements grants were not included, which understated federal expenditures by \$20,376.
- The Immunization Cooperative Agreements grant was not included, which understated federal expenditures by \$66,530.
- The Child Support Enforcement Cluster was overstated by \$136,721.
- The Hazard Mitigation Grant was not included, which understated federal expenditures by \$11,101.

COUNTY AUDITOR
WAYNE COUNTY
FEDERAL FINDING
(Continued)

- The Emergency Management Performance Grant was not included, which understated federal expenditures by \$52,431.
- The Homeland Security Grant Program was not included, which understated federal expenditures by \$33,750.

Audit adjustments were proposed, accepted by the County, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

COUNTY AUDITOR
WAYNE COUNTY
FEDERAL FINDING
(Continued)

- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

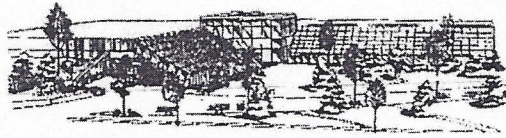
Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the County's management establish controls related to the preparation of the SEFA.

Views of Responsible Officials

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



Kimberly A. Walton, Auditor
Jennie K. Bailey, Chief Deputy Auditor
Wayne County Administration Building
<http://www.co.wayne.in.us/>

Phone 765-973-9317
Fax 765-973-9339

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Kimberly A Walton
Contact Phone Number: 765-973-9317

Views of Responsible Official:

The Wayne County Auditor concurs there was not proper Internal Controls in place to ensure SEFA information was accurate and complete. The SEFA was prepared without accurate understanding of what needed to be reported.

Description of Corrective Action Plan:

The Auditor's office has worked with the State Board of Accounts to better understand the requirements for SEFA. In conjunction with State Board of Accounts, the Auditor's office will correct the 2014, 2015 and 2016 SEFA to be prepared to input into Gateway for the 2017 SEFA. The Auditor's office has also created a reconciliation process for all grants to have better readily available information. On December 1, we will audit all grants each year and insure they are uploaded to Gateway.

Anticipated Completion Date: February 28, 2018

Kimberly Walton
(Signature)

Auditor
(Title)

10/29/18
(Date)

COUNTY AUDITOR
WAYNE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 7, 2018, with Kimberly A. Walton, County Auditor; Kenneth E. Paust, President of the Board of County Commissioners; Peter A. Zeleski, former President of the County Council; Anthony R. Gillam, County Council member; Jeffrey C. Plasterer, President of the County Council; Jennie K. Bailey, Deputy County Auditor; and Ronald L. Cross, County Attorney.

COUNTY HEALTH DEPARTMENT
WAYNE COUNTY

COUNTY HEALTH DEPARTMENT
WAYNE COUNTY
FEDERAL FINDINGS

FINDING 2016-002

Subject: Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care Centers) - Allowable Costs/Cost Principles

Federal Agency: Department of Health and Human Services

Federal Program: Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)

CFDA Number: 93.224

Federal Award Number and Year (or Other Identifying Number): H80CS29006

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

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 Allowable Costs/Cost Principles compliance requirement. The County hired an accounting firm to perform an audit to be filed in accordance with Uniform Guidance without the Indiana State Board of Accounts' State Examiner's approval to do so. The County did not appoint an internal control officer and did not establish an internal control department or an audit committee, in accordance with state statute, necessary for the State Examiner to consider a request from the County to opt out of examinations by the Indiana State Board of Accounts and engage a certified public accountant to conduct the examinations.

Per the accounting firm's Independent Auditor's Report: "We have audited the accompanying schedule of expenditures of federal awards for the Consolidated Health Centers program of Wayne, County of dba Wayne County Community Health Center for the year ended December 31, 2016. . . ." The accompanying schedule of expenditures of federal awards reported only one program with expenditures of \$1,006,990, Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care Centers) CFDA 93.224. The County expended \$2,347,871 from 15 programs for the year ended December 31, 2016. The County may elect to have a program-specific audit only if federal awards were expended from only one program.

As the accounting firm's audit did not encompass the County as a whole, but only the one program identified in the accounting firm's Independent Auditor's Report, the audit was not sufficient for the County to meet 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). Therefore, the costs of this audit did not meet the grant's requirements for Allowable Cost/Cost Principles. The County paid \$22,000 for the 2016 audit during the audit period. An additional \$4,651 was paid during 2017 for the 2016 audit for a total cost of \$26,651 for the 2016 audit.

Context

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

Criteria

2 CFR section 200.303 states in part:

COUNTY HEALTH DEPARTMENT
WAYNE COUNTY
FEDERAL FINDINGS
(Continued)

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.501(c) states:

"Program-specific audit election. When an auditee expends Federal awards under only one Federal program (excluding R&D) and the Federal program's statutes, regulations, or the terms and conditions of the Federal award do not require a financial statement audit of the auditee, the auditee may elect to have a program-specific audit conducted in accordance with § 200.507 Program-specific audits. A program-specific audit may not be elected for R&D unless all of the Federal awards expended were received from the same Federal agency, or the same Federal agency and the same pass-through entity, and that Federal agency, or pass-through entity in the case of a subrecipient, approves in advance a program-specific audit."

2 CFR 200.514(a) states:

"General. The audit must be conducted in accordance with GAGAS. The audit must cover the entire operations of the auditee, or, at the option of the auditee, such audit must include a series of audits that cover departments, agencies, and other organizational units that expended or otherwise administered Federal awards during such audit period, provided that each such audit must encompass the financial statements and schedule of expenditures of Federal awards for each such department, agency, and other organizational unit, which must be considered to be a non-Federal entity. The financial statements and schedule of expenditures of Federal awards must be for the same audit period."

45 CFR 75.425(a) states in part:

"A reasonably proportionate share of the costs of audits required by, and performed in accordance with, the Single Audit Act Amendments of 1996 (31 U.S.C. 7501–7507), as implemented by requirements of this part, are allowable. However, the following audit costs are unallowable:

- (1) Any costs when audits required by the Single Audit Act and subpart F of this part—
have not been conducted or have been conducted but not in accordance therewith;
. . ."

Indiana Code 5-11-1-24.4 states in part:

"(a) This section applies only to an audited entity (excluding a college or university (as defined in IC 21-7-13-10)) that has:

- (1) an internal control officer; and
- (2) an internal control department;

established by the legislative body of the audited entity. . . .

COUNTY HEALTH DEPARTMENT
WAYNE COUNTY
FEDERAL FINDINGS
(Continued)

(b) An audited entity may request in writing that the state board of accounts authorize the audited entity to:

- (1) opt out of examinations by the state board of accounts; and
- (2) engage a certified public accountant to conduct the examinations.

The request must be approved by resolution adopted by the legislative body for the audited entity.

(c) The state board of accounts shall, not more than sixty (60) days after receiving a written request under subsection (b):

- (1) acknowledge receipt of the request; and
- (2) notify the requesting audited entity that the request is:
 - (A) approved; or
 - (B) disapproved. . . ."

Indiana Code 5-11-1-24.4(e) states in part:

"The audited entity must use the following selection procedures:

- (1) The legislative body of the audited entity shall establish an audit committee to facilitate the selection of a certified public accountant. The audit committee shall be composed of the following three (3) members:
 - (A) One (1) member of the legislative body appointed by the legislative body.
 - (B) One (1) certified public accountant appointed by the legislative body who is not the fiscal officer or an employee of the audited entity.
 - (C) One (1) person appointed by the executive of the audited entity who is qualified due to an involvement with financial matters, and who is not the fiscal officer or an employee of the audited entity. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system placed the County in noncompliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Questioned Costs

The cost of the audit in the amount of \$22,000 for calendar year 2016 was identified as questioned costs.

COUNTY HEALTH DEPARTMENT
WAYNE COUNTY
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the County's management establish controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

Auditor's Response

This finding does not fit the definition of "material weakness" provided by the Wayne County Health Department (WCHD) in the corrective action plan, which is an incorrect use of the definition. The definition provided by the WCHD relates to a Section II finding on the financial statements. The material weakness referred to in the finding is a weakness in internal control over compliance since this is a Section III finding relating to a major program and not the financial statements. 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. This correct definition can be found in the Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance, which is included in this report and references this finding.

The County did not reach out to the Indiana State Board of Accounts prior to filing the program-specific audit report. If they had, the County would have been instructed by Indiana State Board of Accounts personnel to comply with Indiana Code 5-11-1-24.4 when requesting approval to opt out of examinations by the Indiana State Board of Accounts and engage a certified public accountant. This request must be written in accordance with Indiana Code 5-11-1-24.4(b) and no such written request was received by the State Examiner.

FINDING 2016-003

Subject: Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care Centers) - Cash Management

Federal Agency: Department of Health and Human Services

Federal Program: Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)

CFDA Number: 93.224

Federal Award Number and Year (or Other Identifying Number): H80CS29006

Compliance Requirement: Cash Management

Audit Findings: Material Weakness

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 Cash Management compliance requirement.

COUNTY HEALTH DEPARTMENT
WAYNE COUNTY
FEDERAL FINDINGS
(Continued)

The County did not have a documented system in place for forecasting cash flow needs and determining a payment schedule as part of the draw request process. The amounts requested should be either disbursements made in a prior period if the County is drawing funds on a reimbursement basis, or expected disbursements in the subsequent month less the amount of federal funds already on hand if drawing funds on an advance payment method.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards 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 compliance with the Cash Management compliance requirement.

Effect

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the Cash Management compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls to ensure compliance with the grant agreement and the Cash Management compliance requirement.

Views of Responsible Officials

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

Auditor's Response

This finding does not fit the definition of "material weakness" provided by the Wayne County Health Department (WCHD) in the corrective action plan, which is an incorrect use of the definition. The definition provided by the WCHD relates to a Section II finding on the financial statements. The material weakness

COUNTY HEALTH DEPARTMENT
WAYNE COUNTY
FEDERAL FINDINGS
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referred to in the finding is a weakness in internal control over compliance since this is a Section III finding relating to a major program and not the financial statements. 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. This correct definition can be found in the Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance, which is included in this report and references this finding.

This finding is an internal control finding and does not report non-compliance. The proposed corrective action would meet those requirements, but was not in place during the audit period. While a detailed spreadsheet was maintained, it was not reconciled to the County Auditor's funds ledger. Additionally, there was no evidence such as signature or initials to show it was reviewed or approved by any other individual. No other documentation of an alternative auditable internal control procedure was presented.

FINDING 2016-004

Subject: Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care Centers) - Procurement and Suspension and Debarment

Federal Agency: Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care Centers)

Federal Program: Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)

CFDA Number: 93.224

Federal Award Number and Year (or Other Identifying Number): H80CS29006

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

Condition

The County did not have an effective internal control system in place to retain evidence it verified vendors and contractors were not suspended or debarred through an annual check of the SAM Exclusion list, and/or ensure a clause was contained in the contracts with vendors/contractors regarding not being suspended or debarred.

Context

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

Criteria

2 CFR section 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal

COUNTY HEALTH DEPARTMENT
WAYNE 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 or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system placed the County in noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls, related 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, which is part of this report.

Auditor's Response

This finding does not fit the definition of "material weakness" provided by the Wayne County Health Department (WCHD) in the corrective action plan, which is an incorrect use of the definition. The definition provided by the WCHD relates to a Section II finding on the financial statements. The material weakness referred to in the finding is a weakness in internal control over compliance since this is a Section III finding relating to a major program and not the financial statements. 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. This correct definition can be found in the Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance, which is included in this report and references this finding.

COUNTY HEALTH DEPARTMENT
WAYNE COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2016-005

Subject: Consolidated Health Centers (HRSA Grant) - Reporting
Federal Agency: Department of Health and Human Services
Federal Program: Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)
CFDA Number: 93.224
Federal Award Number and Year (or Other Identifying Number): H80CS29006
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Modified Opinion

Condition

The Health Center did not have an effective internal control system of oversight, review, and approval in place to verify the accuracy of information reported on the required Uniform Data System report (UDS) and Federal Financial Report (SF-425). The Health Center did not accurately complete the required UDS and SF-425 reports for 2016.

SF-425 Report Errors:

1. The SF-425 report required in calendar year 2016 was for the period ended July 31, 2016. Box 10d, federal funds authorized, included an amount that was not authorized until August 15, 2016, meaning it should not have been included on this report.
2. Box 10e, federal share of expenditures, included the federal receipts, not expenditures. As noted in the Corrective Action Plan for finding 2016-003, the County has elected to draw funds on a reimbursable basis. Thus, the disbursements occurred first, followed by a reimbursement which occurred the following month, so the receipts would be unlikely to equal the disbursements in a given month or over an extended period as disbursements most likely will vary monthly.
3. In box 10i, the WCHD reported federal program income earned that equaled box 10n, reported program income expended. Program income earned was supported only by a worksheet with one total per each month, and did not reconcile to the County Auditor's funds ledger. Program income expended could not be determined to be accurate because those funds were not posted to a unique fund on the County Auditor's funds ledger, but almost certainly would not exactly equal program income earned.

UDS Report Errors:

The UDS report has various data points that are identified as key line items containing critical information, including various costs of the program and patient-related revenue. After three different attempts to verify the spreadsheet data used to prepare the UDS report was in fact generated by the clinic's software, County employees were unable to replicate the data reflected in the UDS report. Report parameters from the original submission were not retained for audit. Also, no documentation was provided that the spreadsheet used to prepare the UDS was reconciled in total to the County Auditor's funds ledger.

Context

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

COUNTY HEALTH DEPARTMENT
WAYNE COUNTY
FEDERAL FINDINGS
(Continued)

Criteria

2 CFR section 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.302(a) states in part:

"Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system placed the County in noncompliance with the grant agreement and the Reporting compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls related to the grant agreement and the Reporting compliance requirement.

Views of Responsible Officials

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

COUNTY HEALTH DEPARTMENT
WAYNE COUNTY
FEDERAL FINDINGS
(Continued)

Auditor's Response

This finding does not fit the definition of "material weakness" provided by the Wayne County Health Department (WCHD) in the corrective action plan, which is an incorrect use of the definition. The definition provided by the WCHD relates to a Section II finding on the financial statements. The material weakness referred to in the finding is a weakness in internal control over compliance since this is a Section III finding relating to a major program and not the financial statements. 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. This correct definition can be found in the Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance, which is included in this report and references this finding.

FINDING 2016-006

Subject: Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care Centers) - Program Income

Federal Agency: Department of Health and Human Services

Federal Program: Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)

CFDA Number: 93.224

Federal Award Number and Year (or Other Identifying Number): H80CS29006

Compliance Requirement: Program Income

Audit Findings: Material Weakness, Modified Opinion

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 Program Income compliance requirement.

The Health Center did not have an effective system in place to verify the accuracy of the sliding fee discount schedule. The Health Center did not accurately apply sliding fee discounts to patient charges for 2016.

Context

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

Criteria

2 CFR section 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal

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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). . . ."

42 USC 254(b)(k)(3)(G) states in part:

"the center—

(i) has prepared a schedule of fees or payments for the provision of its services consistent with locally prevailing rates or charges and designed to cover its reasonable costs of operation and has prepared a corresponding schedule of discounts to be applied to the payment of such fees or payments, which discounts are adjusted on the basis of the patient's ability to pay; . . ."

42 CFR 51c.303 states in part:

"A community health center supported under this subpart must:

(f) Have prepared a schedule of fees or payments for the provision of its services designed to cover its reasonable costs of operation and a corresponding schedule of discounts adjusted on the basis of the patient's ability to pay. *Provided*, That such schedule of discounts shall provide for a full discount to individuals and families with annual incomes at or below those set forth in the most recent CSA Poverty Income Guidelines (42 CFR 1060.2) and for no discount to individuals and families with annual incomes greater than twice those set forth in such Guidelines except that nominal fees for service may be collected from such individuals with annual incomes at or below such levels where imposition of such fees is consistent with project goals.

(g) Make every reasonable effort, including the establishment of systems for eligibility determination, billing, and collection, to: . . ."

42 CFR 51c.304(d) states in part:

"*Functions and responsibilities.*

(1) The governing board for the center shall have authority for the establishment of policy in the conduct of the center. . . .

(iii) Adopting policy for financial management practices, including a system to assure accountability for center resources, approval of the annual project budget, center priorities, eligibility for services including criteria for partial payment schedules, and long range financial planning; . . ."

42 CFR 51c.107(b) states in part:

"Project funds awarded under this part may be used for, but need not be limited to, the following: . . .

(5) The cost of delivering health services, including services rendered on a prepaid capitation basis, to residents of the project's catchment area within the following limitations: grant funds may be used to pay the full cost of project services to individuals and families

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with annual incomes at or below those set forth in the most recent 'CSA Income Poverty Guidelines' (45 CFR 1060.2) issued by the Community Services Administration; and to pay the portion of the cost of services provided in accordance with the schedule of discounts which, under such schedule, is uncompensated; *Provided*, That (i) charges will be made to such individuals and families in accordance with § 51c.303(f) of subpart C; (ii) reasonable effort shall be made to collect such charges under a billing and collections system; and (iii) the charge to grant funds shall exclude any amounts collected pursuant to paragraph (b)(5)(ii) of this section; . . ."

42 CFR 56.108(b) states in part:

"Project funds awarded under this part may be used for, but need not be limited to, the following: . . .

- (5) The cost of delivering health services to migratory agricultural workers, seasonal agricultural workers and the members of their families within the project's catchment area, within the following limitations: grant funds may be used to pay the full cost of project services to such individuals and families with annual incomes at or below those set forth in the most recent 'CSA Income Poverty Guidelines' (45 CFR 1060.2) issued by the Community Services Administration, and to pay the portion of the cost of services provided in accordance with the schedule of discounts which, under such schedule, is uncompensated; *Provided*, That
 - (i) Charges will be made to such individuals and families in accordance with § 56.303(f) of subpart C or § 56.603(e) of subpart F, as applicable;
 - (ii) Reasonable effort shall be made to collect such charges under a billing and collections system; and . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Program Income compliance requirement.

Effect

The failure to establish an effective internal control system placed the County in noncompliance with the grant agreement and the Program Income compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls related to the grant agreement and the Program Income compliance requirement.

Views of Responsible Officials

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

COUNTY HEALTH DEPARTMENT
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(Continued)

Auditor's Response

This finding does not fit the definition of "material weakness" provided by the Wayne County Health Department (WCHD) in the corrective action plan, which is an incorrect use of the definition. The definition provided by the WCHD relates to a Section II finding on the financial statements. The material weakness referred to in the finding is a weakness in internal control over compliance since this is a Section III finding relating to a major program and not the financial statements. 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. This correct definition can be found in the Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance, which is included in this report and references this finding.



WAYNE COUNTY
Health Department

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CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Eric Coulter
Contact Phone Number: 765-973-9369

Views of Responsible Official:

Concerning the language of the finding being noted as a "material weakness", we do not believe this is the correct level of the finding. The definition of a "material weakness" is as follows:

"A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis."

Based upon this definition, we believe that this finding does not meet the definition of a material weakness as there was not a reasonable possibility that a material misstatement of the company's annual or interim financial statement would have been prevented or detected on a timely basis due to the finding noted.

However, we agree that there was a breakdown in the audit notification process that caused a failure in the compliance with the Indiana code requirement to request written approval from the State Examiner to hire an independent CPA firm to conduct a program-specific audit to comply with HRSA grant program requirements. However, the CEO disagrees that the expense was unallowable, unnecessary or unreasonable because an audit is mandatory for HRSA compliance.

Description of Corrective Action Plan:

The CEO is aware of the audit requirements (2 CFS section 200.303 and IC 5-11-1-24.4) and had discussions with the county auditor, other county officials, our county council liaison, and media reports on the same topic which indicated SBOA audits would be limited to every three years due to staff and funding shortages, and the State would not be doing an audit for 2016. As this is a HRSA program requirement, we reached out to our HRSA Grants Management Specialist to see if we could do a program-specific audit to meet our requirements and contracted with an independent CPA firm to provide this service. We and the CPA firm had various discussions with the State Board of Accounts regarding the Health Center. It was noted by the SBOA Director of County Audit Services that the SBOA was not performing annual audits of counties that did not meet the \$500,000 (now \$750,000) threshold for triggering an audit of the federal award and would not be auditing Wayne County. However, the Wayne County Auditor did timely inform the State Board of Accounts that this threshold was exceeded and were informed by SBOA that the Wayne County Auditor did not properly disclose this fact. It was later determined that the Wayne County Auditor had timely disclosed this fact and the State Board of Accounts had erroneously not recognized this disclosure. Thus, the SBOA did not perform the audit on a timely basis. While we attempted to follow the Indiana Code regarding written approval, we feel we did have the internal control system in place to ensure compliance with the requirements of the grant agreement and the Allowable Cost/Cost Principles compliance requirement.



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Should the State Board of Accounts not be able to perform a future audit in a timely manner, we will follow Indiana Code to request written approval from the State Examiner to hire an independent audit firm to provide the required audit and meet program requirements.

Anticipated Completion Date: Completed



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CORRECTIVE ACTION PLAN

FINDING 2016-003

Contact Person Responsible for Corrective Action: Ellen Smith
Contact Phone Number: 989-329-1485

Views of Responsible Official:

Concerning the language of the finding being noted as a "material weakness", we do not believe this is the correct level of the finding. The definition of a "material weakness" is as follows:

"A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis."

Based upon this definition, we believe that this finding does not meet the definition of a material weakness as there was not a reasonable possibility that a material misstatement of the company's annual or interim financial statement would have been prevented or detected on a timely basis due to the finding noted.

However, we agree that Internal Controls over Cash Management in the draw of federal funds process established could be improved, however we disagree that there is no documented system in place for forecasting cash flow needs.

Description of Corrective Action Plan:

Prior to drawing federal funds from the Payment Management System, the Chief Financial Officer will prepare a draw summary and detailed spreadsheet identifying the accounts and amounts that will be drawn. These spreadsheets will be forwarded to the CEO of the Health Center for review and approval. The CEO will initial or sign the draw summary indicating approval and return it to the CFO for draw down of funds. A draw confirmation will be sent to the CEO for his review after the draw has been completed.

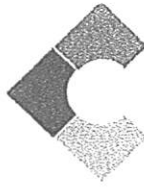
The County had sufficient funds to meet its obligations without drawing funds in advance. The County had chosen to draw funds on a reimbursable basis in compliance with the HRSA instructions listed below:

Draw downs

Recipients draw down funds as necessary through the PMS web-based portal.

Grant payments may be made by one of several advance payment methods or by cash request on a reimbursement basis. If the cash request is for an advance payment, the recipient may request funds monthly on the basis of expected disbursements during the succeeding month and the amount of Federal funds already on hand. A request for reimbursement may be submitted more often, if authorized.

Federal funds advanced to the recipient should be fully disbursed (checks written, signed, and



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issued to the payees) by the close of business the next work day after receipt of the funds.

The County had a written, HRSA approved budget which outlined how federal funds were to be used. After these expenditures were incurred, the funds were drawn to cover the expenditures.

Anticipated Completion Date: Completed



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CORRECTIVE ACTION PLAN

FINDING 2016-004

Contact Person Responsible for Corrective Action: Kim Flanigan
Contact Phone Number: 765-973-9243

Views of Responsible Official:

Concerning the language of the finding being noted as a "material weakness", we do not believe this is the correct level of the finding. The definition of a "material weakness" is as follows:

"A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis."

Based upon this definition, we believe that this finding does not meet the definition of a material weakness as there was not a reasonable possibility that a material misstatement of the company's annual or interim financial statement would have been prevented or detected on a timely basis due to the finding noted.

However, we agree that there was no annual check of all vendors on the SAM Exclusion list.

Description of Corrective Action Plan:

This finding has already been corrected. During January of each year, we will check all vendors paid with federal funds against the SAM Exclusion list and print and file the Exclusion Search result in the procurement file. Any vendor found on the SAM Exclusion list will not be an acceptable vendor for the Wayne County Community Health Center. All new vendors will be checked against the SAM Exclusion List prior to procurement. The list of approved vendors will be kept in the procurement file as well as the CEO office and will be reviewed prior to invoice approval.

Anticipated Completion Date: Completed



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CORRECTIVE ACTION PLAN

FINDING 2016-005

Contact Person Responsible for Corrective Action: Ellen Smith
Contact Phone Number: 989-329-1485

Views of Responsible Official:

Concerning the language of the finding being noted as a "material weakness", we do not believe this is the correct level of the finding. The definition of a "material weakness" is as follows:

"A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis."

Based upon this definition, we believe that this finding does not meet the definition of a material weakness as there was not a reasonable possibility that a material misstatement of the company's annual or interim financial statement would have been prevented or detected on a timely basis due to the finding noted.

We agree that the Internal Controls over Program Income and Reporting through review and approval prior to submission could be improved. The UDS report also had a few inaccuracies during the first full year of operations as a Community Health Center. However, we do not agree with the assertion that the SF-425 report was not accurate.

Description of Corrective Action Plan:

The Chief Financial Officer will print the completed SF-425 and forward to the CEO for review and approval. The CEO will initial and date the SF-425 and return it to the CFO prior to submission. The UDS team lead will prepare the UDS report for filing, forward it to the CEO for approval. The CEO will initial the report and return to the UDS team lead for filing.

The UDS team has attended UDS training and purchased the MediQuire data mining software to work in conjunction with the Isalus practice management system to improve the accuracy of the reports.

The CFO believes the SF-425 Report was filed timely and accurately, agrees with the payment management system and has work papers to support the data as filed. We were not provided with any SBOA documentation on the issues surrounding this finding. The Health Center has received three Operational Site Visits from HRSA and none of them have indicated any concern with the accuracy of the SF-425 reports.

Anticipated Completion Date: February 15, 2019



WAYNE COUNTY
Health Department

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CORRECTIVE ACTION PLAN

FINDING 2016-006

Contact Person Responsible for Corrective Action: Ellen Smith
Contact Phone Number: 989-329-1485

Views of Responsible Official:

Concerning the language of the finding being noted as a "material weakness", we do not believe this is the correct level of the finding. The definition of a "material weakness" is as follows:

"A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis."

Based upon this definition, we believe that this finding does not meet the definition of a material weakness as there was not a reasonable possibility that a material misstatement of the company's annual or interim financial statement would have been prevented or detected on a timely basis due to the finding noted.

However, we agree that the Internal Controls over Program Income could be improved.

Description of Corrective Action Plan:

This finding has been corrected. Annually, the fee schedule and the Sliding Fee Discount Scale are updated and approved by the Board of Directors of the Health Center and the Isalus Practice Management System is updated with the correct charges and discounts.

Anticipated Completion Date: Completed

COUNTY HEALTH DEPARTMENT
WAYNE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 7, 2018 with Kimberly A. Walton, County Auditor; Kenneth E. Paust, President of the Board of County Commissioners; Peter A. Zeleski, former President of the County Council; Anthony R. Gillam, County Council member; Jeffrey C. Plasterer, President of the County Council; Jennie K. Bailey, Deputy County Auditor; and Ronald L. Cross, County Attorney.