

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

WABASH COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED
09/26/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Marcie Shepherd	01-01-17 to 12-31-20
County Treasurer	LuAnn K. Layman	01-01-17 to 12-31-20
Clerk of the Circuit Court	Elaine J. Martin Lori J. Draper	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Sheriff	Robert E. Land Ryan Baker	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Recorder	Lori J. Draper Eric Rish	01-01-15 to 12-31-18 01-01-19 to 12-31-22
President of the Board of County Commissioners	Brian K. Hauptert Barry J. Eppley	01-01-18 to 12-31-18 01-01-19 to 12-31-19
President of the County Council	Jeff Dawes Randy Curless Kyle Bowman	01-01-18 to 01-22-18 01-23-18 to 12-31-18 01-01-19 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF WABASH COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of Wabash County (County), for the year ended December 31, 2018, and the related notes to the financial statement, which collectively comprise the County's financial statement and have issued our report thereon dated September 12, 2019, wherein we noted the County followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-002, that we consider to be material weaknesses.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001.

Wabash County's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

September 12, 2019



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

TO: THE OFFICIALS OF WABASH COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited Wabash County's (County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Formula Grants for Rural Areas

As described in item 2018-003 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding Procurement and Suspension and Debarment that are applicable to its Formula Grants for Rural Areas. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Qualified Opinion on Formula Grants for Rural Areas

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Formula Grants for Rural Areas* paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Formula Grants for Rural Areas for the year ended December 31, 2018.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2018.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2018-003, that we consider to be a material weakness.


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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

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

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

We have audited the financial statement of the County, as of and for the year ended December 31, 2018, and the related notes to the financial statement. We issued our report thereon dated September 12, 2019, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.


Paul D. Joyce, CPA
State Examiner

September 12, 2019

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

WABASH COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
Department of Housing and Urban Development					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii 2016-20 CDBG Grant	Office of Community and Rural Affairs	14.228	B16DC180001	\$ -	\$ 62,036
Total - Department of Housing and Urban Development				-	62,036
Department of Justice					
Edward Byrne Memorial Justice Assistance Grant Program 2017 Justice Assistance Grant	Indiana Criminal Justice Institute	16.738	D-3-17-11657	-	14,033
Crime Victim Assistance CASA Program Grant	Indiana Criminal Justice Institute	16.575	5644-5a	-	48,819
Total - Department of Justice				-	62,852
Department of Transportation					
Highway Planning and Construction Cluster Highway Planning and Construction Bridge #99 Federal Project	Indiana Department of Transportation	20.205	1382115	-	64,109
Total - Highway Planning and Construction Cluster				-	64,109
Highway Safety Cluster State and Community Highway Safety 2018 Operation Pull-over Grant	Indiana Criminal Justice Institute	20.600	6579-2a	-	10,076
Total - Highway Safety Cluster				-	10,076
Formula Grants for Rural Areas and Tribal Transit Program 2018 Wabash County Transit 2017 Wabash Transit Grant	Indiana Department of Transportation	20.509	A249-18-G170182 A249-17-G160258	204,415 53,649	204,415 53,649
Total - Formula Grants for Rural Areas				258,064	258,064
Total - Department of Transportation				258,064	332,249
Department of Health and Human Services					
Child Support Enforcement Prosecutor Expenditures Clerk Expenditures Indirect Costs Prosecutor IV-D Incentive Clerk IV-D Incentive County IV-D Incentive	Indiana Department of Child Services	93.563	FY 2018	- - - - - - -	129,123 13,942 43,979 13,007 11,108 11,753
Total - Child Support Enforcement				-	222,912
Total - Department of Health and Human Services				-	222,912
Department of Homeland Security					
Emergency Management Performance Grants 2017 EMA Salaries Grant	Indiana Department of Homeland Security	97.042	EMPG-2017-61725	-	31,868
Homeland Security Grant Program EMA 2017 SHSP Grant	Indiana Department of Homeland Security	97.067	EMW-2017-SS-0003	-	38,100
Total - Department of Homeland Security				-	69,968
Total federal awards expended				\$ 258,064	\$ 750,017

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

WABASH COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 2018. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the County, it is not intended to and does not present the financial position of the County.

B. Other Significant Accounting Policies

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

Note 2. Indirect Cost Rate

The County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

WABASH COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

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

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

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
20.509	Formula Grants for Rural Areas	Qualified
93.563	Child Support Enforcement	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2018-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Condition and Context

The County had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Schedule of Federal Awards (SEFA). One employee prepared and entered the federal award information entered into Gateway without evidence of a control in place to detect and correct errors prior to submission.

The SEFA presented for audit included the following errors:

1. The Highway Planning and Construction expenditures were understated by \$43,213.

WABASH COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2. The State and Community Highway Safety expenditures were overstated by \$6,952 and amounts reported as passed through to subrecipients were erroneously reported in the amount of \$62,036.
3. Nonfederal grant expenditures were erroneously reported on the SEFA, which overstated the federal expenditures by \$2,909.
4. The Child Support Enforcement expenditures were understated in the amount of \$154,363.
5. The Edward Byrne Memorial Justice Assistance Grant had amounts erroneously reported as passed through to subrecipients in the amount of \$14,033.

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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. . . ."

WABASH COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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.
- (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

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

Effect

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

Views of Responsible Officials

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

WABASH COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2018-002

Subject: Financial Transactions and Reporting - County Sheriff
Audit Finding: Material Weakness

Condition and Context

There were deficiencies in the internal control system of the County related to financial transactions and reporting of the County Sheriff. The County Sheriff had not separated incompatible activities related to the reconciling and reporting of the Sheriff Inmate Trust fund. The County Sheriff Administrative Assistant performed all duties of the reconciling and reporting activities. The monthly bank reconciling, in addition to the receipt and disbursement transactions, were performed without a system of oversight, review, or approval.

The lack of internal controls was a systemic issue throughout the audit period.

Criteria

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

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

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

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

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

Cause

Management of the County had not established a proper system of internal controls.

Effect

The failure to establish a system of internal controls could have enabled misstatements or irregularities to remain undetected.

WABASH COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-003

Subject: Formula Grants for Rural Areas - Suspension and Debarment

Federal Agency: Department of Transportation

Federal Program: Formula Grants for Rural Areas and Tribal Transit Program

CFDA Number: 20.509

Federal Award Numbers and Years (or Other Identifying Numbers): A249-18-G170182,
A249-17-G160258

Pass-Through Entity: Indiana Department of Transportation

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

Condition and Context

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 County failed to conduct a search through the System for Award Management, collect a certification from the entity, or add a clause or condition to the contract for the subrecipient to determine whether that subrecipient was suspended or debarred from participation in federal programs. The subrecipient accounted for 100 percent of the program disbursements.

The lack of controls and noncompliance were systemic issues 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 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 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.

WABASH COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

You do this by:

- (a) Checking the 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

The County's management had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the suspension and debarment requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the County.

Questioned Costs

There were no questioned costs identified.

Views of Responsible Officials

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

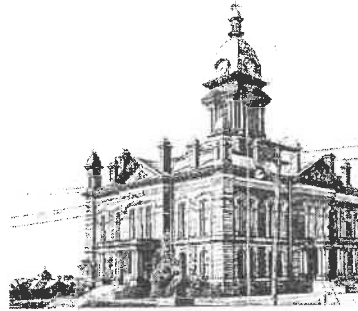
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AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the County. The document is presented as intended by the County.

Wabash County Auditor
Marcie Shepherd

One West Hill Street
Wabash, Indiana 46992
Phone (260) 563-0661, Ext.1222
Fax (260) 563-7910
auditor@wabashcounty.in.gov



CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Marcie Shepherd
Contact Phone Number: 260-563-0661 X1212

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

While reviewing the submission of the Annual Financial Report verification of all Federal awards we will verify;

1. All rewards are federal
2. All reported revenue us revenue actually received
3. All disbursements are disbursed within the stated year
4. All reporting captures all dollars in and all dollars out.

The grant deputy will review the submission of the federal awards prior to entering in gateway, and sign off on the report. The auditor will do an independent review of the federal awards, using the above outline of checkmarks, and sign off when completed. The two reports will be compared and signed off by both the auditor and the grant deputy. The grant deputy will submit the federal awards in gateway. The auditor will then verify the awards are correct as submitted.

Anticipated Completion Date: January 2020

Marcie Shepherd
(Signature)

Co. Auditor
(Title)

9/10/2019
(Date)



Wabash County Sheriff's Department

Sheriff Ryan Baker

79 West Main St., Wabash, Indiana 46992 • 1-866-288-3882 • 260-563-8891 • Fax: 260-569-9662

Finding 2018-002

Contact Person Responsible for Corrective Action: Sheriff Ryan Baker

Contact Phone Number: 260-563-8891

Views of Responsible Official:

I concur with the finding of "deficiencies in the internal control system of the County related to financial transactions and reporting of the County Sheriff. The Sheriff had not separated incompatible activities related to the reconciling and reporting of the Inmate Trust Fund. The Sheriff Administrative Assistant performed all duties of the reconciling and reporting activities. The monthly bank reconciling in addition to the receipt and disbursement transactions were performed without a system of oversight, review, or approval. The lack of internal controls were systemic issues throughout the audit period".

Description of Corrective Action Plan:

Starting in September of 2019, in order to create a better internal control over the reconciling and reporting of the Inmate Trust Fund, we have implemented the following: the bank reconciliation is completed by the Administrative Assistant and reviewed and initialed by the Sheriff.

In addition, we are currently in the process with our Inmate Trust software company to begin receiving a detail of the money removed from the lobby kiosk by the security money processing company.

Additional internal controls of disbursement checks will be implemented by having a second employee review and initial all disbursement checks from the Inmate Trust Fund.

Anticipated Completed Date: January 1, 2020

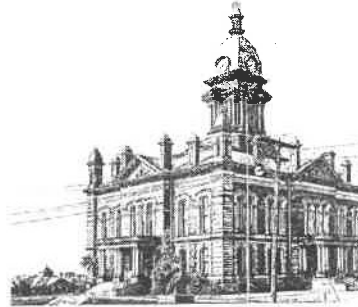
RB
Signature

Sheriff
Title

9-12-19
Date

Wabash County Auditor
Marcie Shepherd

One West Hill Street
Wabash, Indiana 46992
Phone (260) 563-0661, Ext.1222
Fax (260) 563-7910
auditor@wabashcounty.in.gov



CORRECTIVE ACTION PLAN

FINDING 2018-003

Contact Person Responsible for Corrective Action: Marcie Shepherd
Contact Phone Number: 260-563-0661 X1212

Views of Responsible Official: We concur with the finding

When a grant is received the grant deputy shall read through the grant and verify that the grant agreement is for a federal award over \$25,000 that the vendor who will be receiving the award has not been disbarred or suspended. The vendor will be required to complete the Certification Regarding Debarment, Suspension and other Responsibility Matters form and return the form to the Auditor's office. The completed form will be presented to the commissioner chairman for signatures. The auditor shall sign the form and the form will be placed with the grant in the grant binder. The procedure shall be completed annually with each new grant.

Anticipated Completion Date: January 2020

Marcie Shepherd
(Signature)

Co. Auditor
(Title)

9/10/2019
(Date)

OTHER REPORTS

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