

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF ELKHART

ELKHART COUNTY, INDIANA

January 1, 2022 to December 31, 2022



**FILED**

08/04/2023



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## SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Jamie Arce	01-01-22 to 12-31-23
Mayor	Rod Roberson	01-01-22 to 12-31-23
President of the Board of Public Works	Michael C. Machlan	01-01-22 to 12-31-23
President of the Common Council	Arvis Dawson	01-01-22 to 12-31-23
Clerk of the City Court	Debra Barrett	01-01-22 to 12-31-23



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF ELKHART, ELKHART COUNTY, INDIANA

This report is supplemental to the audit report of the City of Elkhart (City), for the period from January 1, 2022 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with the Financial Statement Audit Report of the City, which provides our opinions on the City's financial statement. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE  
Deputy State Examiner

July 24, 2023

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CITY CONTROLLER  
CITY OF ELKHART

CITY CONTROLLER  
CITY OF ELKHART  
AUDIT RESULTS AND COMMENTS

**BANK ACCOUNT RECONCILIATIONS**

A similar comment also appeared in prior Reports B58702 and B60446.

*Condition and Context*

The City Controller's office prepared month-end reconcilements, which were reviewed and approved by the appropriate officials. The month-end reconciliation compared the City's bank balances to a fund report. The reconcilements reported no variances. However, the City's financial statement is derived from a system report titled Treasurer's fund ledger. The City Controller's office had not designed or implemented an internal control to prevent, or detect and correct, errors to ensure the combined bank accounts reconcile to this report, which is source of the City's financial statement.

*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. . . .

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AUDIT RESULTS AND COMMENTS  
(Continued)

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. . . ."

**ANNUAL UPLOADS**

*Condition and Context*

Annual upload requirements include the year-end investments statements, detail of receipt activity, detail of disbursement activity, current year salary ordinance and amendments, an annual vendor history report, an Annual Funds Ledger, Annual Payroll History Report, and Court Trust Subsidiary Detail as of year-end.

The City did not comply with the State Examiner Directive and failed to upload all of the annual files on the Indiana Gateway for Government Units financial reporting system for 2022.

*Criteria*

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients.

A user guide for the Engagement Uploads is available and located at: <https://gateway.ifionline.org/userguides/engagementguide>. **It is pertinent that this user guide be used in conjunction with this Directive.** It provides critical information to you that will help guide you to uploading the correct documents.

(Amended State Examiner Directive 2018-1)

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EXIT CONFERENCE

The contents of this report were discussed on July 24, 2023, with Jamie Arce, City Controller, and Michael C. Machlan, President of the Board of Public Works.