

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

ALLEN COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED
09/29/2023

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-4
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	5-8
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	11-13
Notes to Schedule of Expenditures of Federal Awards.....	14
Schedule of Findings and Questioned Costs.....	15-17
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	20
Corrective Action Plan	21
Other Reports.....	22

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Nicholas D. Jordan	01-01-22 to 12-31-23
County Treasurer	William F. Royce	01-01-22 to 12-31-23
Clerk of the Circuit Court	Christopher M. Nancarrow	01-01-22 to 12-31-23
County Sheriff	David J. Gladioux Troy R. Hershberger	01-01-22 to 12-31-22 01-01-23 to 12-31-23
County Recorder	Anita A. Mather Nicole L. Keesling	01-01-22 to 12-31-22 01-01-23 to 12-31-23
President of the Board of County Commissioners	F. Nelson Peters Therese M. Brown	01-01-22 to 12-31-22 01-01-23 to 12-31-23
President of the County Council	Kyle A. Kerley Thomas A. Harris	01-01-22 to 12-31-22 01-01-23 to 12-31-23



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

TO: THE OFFICIALS OF ALLEN 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 statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Allen County (County), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 27, 2023. A qualified opinion was issued for both the discretely presented component unit due to a discretely presented component unit not being included in the County's financial statements and for the Local Income Tax - Economic Development Fund due to a material misstatement of both the Taxes Receivable and Unavailable Revenues as further described in that report. Our report includes a reference to other auditors who audited the financial statements of the Allen County Public Library, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, 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 statements 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, as described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001, 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
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are 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 2022-001.

Allen County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. 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 statements, 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.



Beth Kelley, CPA, CFE
Deputy State Examiner

September 27, 2023



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 ALLEN COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Allen 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, 2022. 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.

The County's basic financial statements include the operations of the Allen County Public Library (Library); however, federal award expenditures of the Library, if any, are not included in the County's Schedule of Expenditures of Federal Awards during the year ended December 31, 2022. Our audit, as described below, did not include the operations of the Library as this entity is legally separate from the County and is subject to a separate audit in accordance with Indiana state statutes or regulations including the audit requirements of Title 2 of the U.S. *Code of Federal Regulations* (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) if applicable.

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 each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Uniform Guidance. Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

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)

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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)

Report on 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

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)

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated September 27, 2023, which contained qualified and unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 basic financial statements. 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 statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, 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 basic financial statements as a whole.



Beth Kelley, CPA, CFE
Deputy State Examiner

September 27, 2023

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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ALLEN COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2022

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listing Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient	Total Federal Awards Expended
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program School Breakfast Program	Indiana Department of Education	10.553	FY 2022	\$ -	\$ 49,359
National School Lunch Program National School Lunch Program National School Lunch Program - Commodities National School Lunch Program - Supply Chain Assistance	Indiana Department of Education	10.555	FY 2022 FY 2022 FY 2022	- - -	87,807 42,833 12,724
Total - National School Lunch Program				-	143,364
Total - Child Nutrition Cluster					
COVID-19 Pandemic EBT Administrative Costs					
Youth Services Center Allen County Juvenile Center	Indiana Department of Education	10.649	FY 2022 FY 2022	- -	628 628
Total - COVID-19 Pandemic EBT Administrative Costs					
Total - Department of Agriculture					
<u>Department of Housing and Urban Development</u>					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii					
OCRA Covid Relief	Indiana Office of Community and Rural Affairs	14.228	B-CV2-CV-18-0001	106,770	106,770
Total - Department of Housing and Urban Development					
<u>Department of the Interior</u>					
Outdoor Recreation Acquisition, Development and Planning Land and Water Conservation					
	Indiana Department of Natural Resources	15.916	PO 20011597	-	16,600
Total - Department of the Interior					
<u>Department of Justice</u>					
COVID-19 - Coronavirus Emergency Supplemental Funding Program Personal Protective Equipment (PPE)					
	Direct Grant	16.034	2020-VD-BX-1531	-	44,553
Juvenile Justice and Delinquency Prevention Check and Connect					
	Indiana Criminal Justice Institute	16.540	2020-JX-FX-0046	-	118,605
Crime Victim Assistance Domestic Violence Domestic Violence Domestic Violence					
	Indiana Criminal Justice Institute	16.575	VOCA-2020-00037 VOCA-2020-00137 VOCA-2022-00168	- - -	219,686 50,520 11,212
Total - Crime Victim Assistance					
Violence Against Women Formula Grant Domestic Violence					
	Indiana Criminal Justice Institute	16.588	STOP-2021-00017	-	58,455
State Criminal Alien Assistance Program SCAAP SCAAP					
	Direct Grant	16.606	2020-BJA FY 2020 2021-BJA FY 2021	- -	13,498 22,130
Total - State Criminal Alien Assistance Program					

ALLEN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listing Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient	Total Federal Awards Expended
Edward Byrne Memorial Justice Assistance Grant Program	City of Fort Wayne	16.738			
FY 22 JAG Project			15PBJA-22-GG-02118-JAGX	-	15,619
FY 20 JAG Project Fort Wayne-Allen County			2020-DJ-BX-0964	-	11,989
Total - Edward Byrne Memorial Justice Assistance Grant Program				-	27,608
Equitable Sharing Program	Direct Grant	16.922			
Asset Seizure-Sheriff			FY 2022	-	871
Total - Department of Justice				-	567,138
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
Construction Engineering			DES 1401272	-	104,718
Right of Way			DES 1401273	-	750,398
Preliminary Engineering			DES 1702810	-	42,868
Preliminary Engineering			DES 1802912	-	120,014
Construction Engineering			DES 1901884	-	63,944
Preliminary Engineering			DES 1902823	-	70,651
Preliminary Engineering			DES 1902825	-	57,333
NIRCC			DES 2001063	-	549,321
Preliminary Engineering			DES 2003073	-	115,583
Construction Engineering			DES. 1382492	-	404,407
Preliminary Engineering			DES. 1592872	-	2,587
Preliminary Engineering			DES. 1902749	-	72,838
Preliminary Engineering			DES. 2100106	-	384,112
NIRCC			DES. 2101669	-	372,657
Total - Highway Planning and Construction				-	3,111,431
Total - Highway Planning and Construction Cluster				-	3,111,431
Highway Safety Cluster					
State and Community Highway Safety	City of Fort Wayne	20.600			
Traffic Enforcement-CITLI			CHIRP 2022 00069	-	12,478
National Priority Safety Programs	Indiana Criminal Justice Institute	20.616			
Stop Arm Violation Enforcement (SAVE)			SAVE-2022-00023	-	21,803
Total - Highway Safety Cluster				-	34,281
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	City of Fort Wayne	20.608			
Traffic Enforcement-DUI			CHIRP 2022 00069	-	967
Total - Department of Transportation				-	3,146,679
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Direct Grant	21.027			
ARP			FY 2022	-	448,987
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Indiana Department of Health	21.027			
CSFRF			PO 20011717	-	25,498
Total - Department of the Treasury				-	474,485

ALLEN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listing Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient	Total Federal Awards Expended
Department of Health and Human Services					
Immunization Cooperative Agreements	Indiana State Department of Health	93.268			
Immunization Cooperative Agreements			PO 20002710	-	51,585
Immunizations COVID Vaccine Clinic			PO 20007890	-	50,103
Health Indiana Plan-Immunizations			PO 20011974	-	102,306
Subtotal - Immunization Cooperative Agreements				-	203,994
COVID-19 - Immunization Cooperative Agreements	Indiana State Department of Health	93.268	PO 20007939	-	387,024
Total - Immunization Cooperative Agreements				-	591,018
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) ELC Reopen Schools	Indiana Department of Health	93.323	PO 20011033	-	157,000
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) COVID-19 ELC	Indiana Department of Health	93.323	PO 20009148	-	75,135
Total - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)				-	232,135
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response Cooperative Agreement for Emergency Response	Indiana Department of Health	93.354	PO 20010760	-	1,000
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds PPHF	Indiana State Department of Health	93.539	PO 20011974	-	36,612
Child Support Enforcement Child Support Enforcement	Indiana Department of Child Services	93.563	FY 2022	-	2,611,801
Refugee and Entrant Assistance State/Replacement Designee Administered Programs Refugee Health Screens	Indiana State Department of Health	93.566	PO 20003604	-	13,299
State Court Improvement Program Superior Court-Family Relations	Indiana Supreme Court	93.586	Allen-CIP-2021 BDT	-	23,332
Foster Care Title IV-E Foster Care-Title IV-E	Indiana Public Defender Commission	93.658	FY 2021-22	-	49,045
HIV Prevention Activities Health Department Based Syringe Service Grant	Indiana State Department of Health	93.940	PO 20007210	-	60,128
Total - Department of Health and Human Services				-	3,618,370
Department of Homeland Security					
Emergency Management Performance Grants Homeland Security	Indiana Department of Homeland Security	97.042	EMC-2021-EP-00004	-	89,828
BRIC: Building Resilient Infrastructure and Communities Emergency Performance	Indiana Department of Homeland Security	97.047	DHS-19-MT-047-000-99	-	18,000
Total - Department of Homeland Security				-	107,828
Total federal awards expended				106,770	8,231,849

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

ALLEN 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, 2022. 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 accrual 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 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.

ALLEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II - Financial Statement Findings

FINDING 2022-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Condition and Context

The Unified Local Income Taxes (LIT) are derived tax revenues, with no time requirements, imposed by a county and collected by the State of Indiana. The LIT revenues collected by the state are deposited into a county's LIT trust account. The Indiana State Budget Agency (SBA) is required by Indiana Code to determine whether the county's trust account balance exceeds 15 percent of the certified distributions to be made in the determination year. To make the determination, the SBA must use the trust account balance as of December 31 of the year that precedes the determination year by two years. If the trust account balance is determined to be in excess of the 15 percent, a supplemental distribution is made from the county's trust account to the appropriate LIT recipients of that county.

The SBA determined in 2023 that a supplemental distribution was to be made from the County's trust account. This determination was made by the SBA by using the County's trust account balance as of December 31, 2021. The LIT receivable recognized on the County's financial statements for the year ended December 31, 2022, was estimated using the trust account balance as of December 31, 2022. The County should have used the balance of the year preceding the determination year by two years, which was December 31, 2021. The trust account balance as of December 31, 2022, was significantly higher than the trust account balance as of December 31, 2021, resulting in the LIT receivable of the Local Income Tax - Economic Development opinion unit being materially overstated by \$5,443,257.

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. . . ."

Governmental Accounting Standards Board Codification (GASB Cod.) § N50.113 states:

"Governments should recognize assets from derived tax revenue transactions in the period when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. Revenues should be recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance should be reported as liabilities until the period of the exchange. Derived tax revenues generally do not have time requirements. However, if they apply, asset and revenue recognition should be consistent with the requirements for imposed nonexchange revenue transactions. [GASBS 33, ¶16, as amended by GASBS 65, ¶31; GASBS 33, fn8]"

ALLEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Indiana Code 6-3.6-9-15(a) states:

"If the budget agency determines that the balance in a county trust account exceeds fifteen percent (15%) of the certified distributions to be made to the county in the determination year, the budget agency shall make a supplemental distribution to the county from the county's trust account. The budget agency shall use the trust account balance as of December 31 of the year that precedes the determination year by two (2) years (referred to as the 'trust account balance year' in this section)."

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Cause

The County estimated LIT receivable recognized on the County's financial statements by using the trust account balance as of the incorrect date. The balance as of December 31, 2022, was used to estimate the receivable instead of the appropriate trust account balance as of December 31, 2021.

Effect

Due to the trust account balance as of December 31, 2022, being significantly higher than the trust account balance as of December 31, 2021, the LIT receivable of the Local Income Tax - Economic Development opinion unit was materially overstated. As such, a qualified opinion was issued for the Local Income Tax - Economic Development opinion unit of the County as of and for the year ended December 31, 2022.

Views of Responsible Officials

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

Auditor's Response

Per generally accepted accounting principles, recognition of nonexchange transactions including derived tax revenue is required unless the transactions are not measurable (reasonably estimated) or are not probable of collection. The difference between the County's certified and supplemental LIT distributions for the Local Income Tax - Economic Development fund received in 2023 and the County's estimate of what would be received and recorded as a receivable was \$5,443,257.

We reaffirm our finding and will review the status of the finding during our next audit.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

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AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the County. The documents are presented as intended by the County.



Allen County Highway Department

200 East Berry Street, Suite 280
Fort Wayne, Indiana 46802
260-449-7369

North Division: 2234 Carroll Rd Fort Wayne, IN 46818 260-449-4781
South Division: 8317 E. Tillman Rd Fort Wayne, IN 46816 260-449-4791

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-001 (Auditor Assigned Reference Number)
Fiscal year in which the finding initially occurred: 2021
Current Audit Period: 2022

Finding Subject: Financial Transactions and Reporting – Capital Assets - Infrastructure

Summary of Finding:

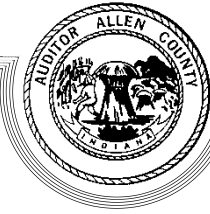
In 2021, the Highway Department changed our roadways to match with Indiana Department of Transportation mile certification which changed the replacement costs instead of the historical costs. Road addition and deletion errors were discovered through testing. Also, road depreciation and accumulated depreciation errors were discovered. From the calculations the right of way additions and deletions were calculated wrong.

Status of Audit Finding:

From the audit findings, the Highway Department went back and corrected all of the findings in the 2021-001 Schedule of Findings and Questions costs. This was corrected through redoing all of the historical costs from the errors and the right of way was formula error that was corrected.

Response Comments:

This was all corrected for 2021 and we were able to move forward with an updated spreadsheet for GASB 34 - 2022.



CORRECTIVE ACTION PLAN

FINDING 2022-001 (Auditor Assigned Reference Number)

Finding Subject: Financial Transactions and Reporting

Summary of Finding:

Local Income Tax (LIT) receivable recognized on the County's financial statements was estimated using the trust account balance as of December 31, 2022 instead of 2021. The 2022 balance was significantly higher resulting in a material misstatement of \$5,443,257 for LIT receivable of the Local Income Tax-Economic Development.

Contact Person Responsible for Corrective Action: Nick Jordan

Contact Phone Number and Email Address: 260-449-7230 nick.jordan@allencounty.us

Views of Responsible Officials:

We disagree with the finding.

Explanation and Reasons for Disagreement:

We believe that the LIT Economic Development receivable of \$24,150,206 included within the financial statements is reasonable.

To start, no disagreement on what the law requires for the supplemental LIT distributions. That doesn't necessarily equate to that being the sole methodology for estimating a receivable. Using the best information available we have no reason to believe that the approximate \$5.4 mil will be uncollectible or is materially misstated.

We took into account the State Budget Agency(SBA) Trust Balance report dated 2/7/23, the Dept of Workforce Development monthly employed figures, and the Dept of Revenue(DOR) 1st & 2nd 2023 quarterly LIT withholding figures. All of this data supports yr over increases from 2022 to 2023. Finally, the estimated 2024 LIT distribution amounts dated 8/2/23 from the SBA reflect LIT Econ Development at \$78,511,467 which is \$13,808,353 mil or 21% more than 2023 Certified LIT Econ Development. Since 2011, except for 2016, the DOR has routinely collected more than has been distributed to Allen County.

Therefore, there is no question the \$5,443,257 will be "recognized".

Description of Corrective Action Plan:

Not specifically related to receivables but rather LIT, we plan to review and implement the 7/12/23 SBoA memo regarding LIT as we were previously following the 10/22/21 SBoA memo.

Anticipated Completion Date:

We plan to review and implement the 7/12/23 SBoA memo regarding LIT for the 12/31/23 financials.

ROUSSEAU CENTRE • 1 EAST MAIN STREET • SUITE 102

FORT WAYNE, INDIANA 46802-1887

PHONE: 260.449.7241 • FAX: 260.449.7679 • WWW.ALLENCOUNTYAUDITOR.US

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/>.