

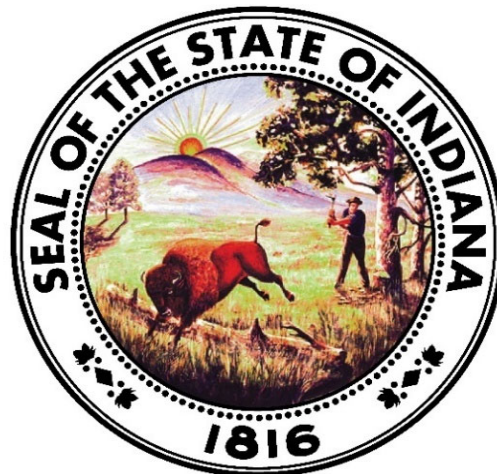
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

COMPLIANCE EXAMINATION REPORT

OF

ELKHART COUNTY, INDIANA

January 1, 2021 to December 31, 2021



FILED

08/21/2023



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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August 21, 2023

To: The Officials of Elkhart County
Elkhart County
117 N Second St
Goshen, IN 46526

This report is supplemental to the audit report of Elkhart County (County), for the period January 1, 2021 to December 31, 2021. It has been provided as a separate report so that the reader may easily identify any Examination Findings that pertain to the County. It should be read in conjunction with the financial statement audit report of the County, which provides an opinion on the County's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of the County and perform procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

We have reviewed the Supplemental Audit Report for Elkhart County, prepared by CliftonLarasonAllen, LLP, Independent Public Accountants, for the period January 1, 2021 to December 31, 2021. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the Indiana State Board of Accounts.

We call your attention to the findings in the report on pages 3 through 8.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in black ink that reads "Tammy R. White". The signature is written in a cursive style.

Tammy R. White, CPA
Deputy State Examiner

**ELKHART COUNTY, INDIANA
STATE COMPLIANCE
YEAR ENDED DECEMBER 31, 2021**



CPAs | CONSULTANTS | WEALTH ADVISORS

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**ELKHART COUNTY, INDIANA
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YEAR ENDED DECEMBER 31, 2021**

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**ELKHART COUNTY, INDIANA
SCHEDULE OF OFFICIALS
YEAR ENDED DECEMBER 31, 2021**

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Patricia A. Pickens	01-01-21 to 12-31-23
County Treasurer	Tina M. Bontrager	01-01-21 to 12-31-23
Clerk of the Courts	Christopher J. Anderson	01-01-21 to 12-31-23
County Sheriff	Jeffery A. Siegel	01-01-21 to 12-31-23
County Recorder	Jennifer L. Doriot Kaala Baker	01-01-21 to 12-31-22 01-01-23 to 12-31-23
President of the Board of County Commissioners	Suzanne M. Weirick Brad Rogers	01-01-21 to 12-31-22 01-01-23 to 12-31-23
President of the County Council	Thomas W. Stump	01-01-21 to 12-31-23



INDEPENDENT AUDITORS' REPORT

County Officials
Elkhart County, Indiana
Goshen, 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 basic financial statements of Elkhart County, Indiana, as of December 31, 2021 and for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 10, 2023.

In connection with our audit, we noted Elkhart County, Indiana failed to comply with certain provisions established by the Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana (the Manual) issued by the Indiana State Board of Account (SBOA), insofar as they related to accounting matters as described in the Audit Results and Comments. Our audit was not directed primarily toward obtaining knowledge as to whether Elkhart County, Indiana failed to comply with the terms, covenants, provisions, or conditions of the guidelines of SBOA insofar as they relate to accounting matters. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding noncompliance with the above-reference provisions of the SBOA Manual, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the Manual and the results of that testing, and not to provide an opinion on compliance. Accordingly, the report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Indianapolis, Indiana
May 10, 2023

**ELKHART COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
YEAR ENDED DECEMBER 31, 2021**

FINANCIAL STATEMENT CORRECTIONS

A similar comment also appeared in the prior year report.

Condition: Several corrections were made to the financial statements, as follows:

- All custodial funds reported remaining balances as liabilities in the prior year financial statements. Certain funds were adjusted this year to comply with GASB 84, *Fiduciary Activities*, thus many balances are now reflected in net position. Certain balances should have been moved to net position, per GASB 84, that were not reclassified this year. Beginning net position was restated for those, increasing it \$7,955,205.
- Certain additions and deductions were removed in the reporting of custodial funds additions and deductions, as per GASB 84, however, certain transactions were originally removed that were not related to the County, including \$2,235,460 Convention Visitor and Tourism funds and \$16,024,404 property tax relief local income tax funds.
- Local income tax (LIT) receivable balance was allocated incorrectly at the end of last year and the end of 2021. This resulted in a restatement to beginning fund balance of the general fund of \$606,125, and a correction of \$1,324,382 to general fund receivable at December 31, 2021.
- Debt payments made in the prior year were not recorded as a reduction of the loan (\$281,566). This was corrected through beginning net position of governmental activities.
- A prior year interfund loan was recorded as revenue and expense rather than as an interfund payable and receivable. Beginning fund balance was adjusted by \$187,656 to correct this.
- Cash held in a custodial fund at year-end, that will be distributed to County funds, was not reclassified to the appropriate County fund at December 31, 2021 or 2020, as per GASB 84. Adjustments were made to correct both the 2021 year-end general fund cash by \$988,648, and a restatement for the beginning general fund balance and governmental activities net position of \$799,189.
- A deferred inflow of \$1,764,602 was not recorded in the prior year for a loan receivable in a governmental fund. This was corrected through a restatement to beginning fund balance.

Criteria or specific requirement: The County is responsible for the accuracy of the financial statements in accordance with generally accepted accounting principles. The County is 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).

**ELKHART COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

FINANCIAL STATEMENT CORRECTIONS (CONTINUED)

Criteria or specific requirement (continued): 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.

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. . . ."

PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

A similar comment also appeared in the prior year report.

Condition: There were errors on the SEFA related to three federal programs and their related expenditures and Assistance Listing Numbers, including expenditures related to a major program. Initially, the unspent funds from a 2020 advance grant under 21.019, that were spent in 2021, totaling \$254,880, were not on the SEFA. Additionally, reimbursements in 2021 totaling \$182,310 were included on the initial SEFA under 21.019, which should have been reflected under Assistance Listing Numbers 93.323 (\$26,808) and 93.268 (\$155,502).

**ELKHART COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

**PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)
(CONTINUED)**

Criteria or specific requirement: 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:

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2 CFR 200.303 states in part:

"The non-Federal entity must: (a) Establish and maintain effective internal control . . ."

2 CFR 200.1 states in part:

". . . Internal controls for non-Federal entities means:

(1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:

(i) Effectiveness and efficiency of operations;

(ii) Reliability of reporting for internal and external use; . . ."

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. . . ."

**ELKHART COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

**PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)
(CONTINUED)**

Criteria or specific requirement (continued):

"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. 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 Assistance Listings Number or other identifying number when the Assistance Listings 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(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."

**ELKHART COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

USE OF MOTOR VEHICLE HIGHWAY RESTRICTED FUNDS

Condition: The Motor Vehicle Highway (MVH) Restricted Fund reimbursed the Indiana Department of Transportation for unused grant funds instead of being reimbursed from the fund receiving the unused grant funds.

Criteria or specific requirement: Under State Examiner Directive 2018-2, the (MVH) Restricted Fund is used to account for MVH monies which have been statutorily restricted for construction, reconstruction, and preservation purposes.

RECONCILIATION OF BALANCES

Condition: While examining monthly uploads to Gateway it was noted that while the monthly reconciliations were being prepared, the reconciliation of cash balances between the Auditor and Treasurer varied each month of the year. This was due primarily to using the reconciliation to track Emergency Rental Assistance funding.

Criteria or specific requirement: Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

TIMELY SUBMISSIONS TO GATEWAY

Condition: The annual financial report (AFR) was submitted on March 15, 2022. Several monthly items from the Treasurer and Auditor were uploaded late throughout the year. Most of the required annual information was not uploaded and the information that was uploaded was late.

Criteria or specific requirement: Indiana Code 5-11-1-4(a) states: "The state examiner shall require from every audited entity financial report covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

State Examiner Directive 2018-1 states "Beginning with July 2018 files, which will be due September 15, 2018, all cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (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. Counties and school corporations will upload January 2019 files beginning in March 2019."

**ELKHART COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

SHERIFF'S PENSION TRUST FUND

Condition: Elkhart County has established a Sheriff's Pension Trust as a state statutorily created fund, IC 36-8-10-12, which acts as a holding fund for the county contributions prior to transferring the contributions to the Sheriff's pension plans. In the audit year 2021, the County was authorized to collect service of process fees as contributions for the sheriff's department pension, IC 33-37-5-15, and \$190,792 of these fees were receipted in the Sheriff's Pension Trust fund for employer contributions. However, there were no deductions made from the fund for transfers in 2021, and the ending fund balance was \$1,080,760 on December 31, 2021.

The county employer contributions, service of process fees, are being accumulated in the Sheriff's Pension Trust Fund rather than being transferred to the pension plans on a regular basis.

Criteria or specific requirement: Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1).

Indiana Code 33-37-5-15 states in part:

"...(d)The county auditor shall deposit fees collected under this section as follows:...

(2)(A) the pension trust established by the county under IC 36-8-10-12"

Indiana Code 36-8-10-12 states in part:

"(a) The department and a trustee may establish and operate an actuarially sound pension trust as a retirement plan for the exclusive benefit of the employee beneficiaries...

(k) The trust fund may not be commingled with other funds, except as provided in this chapter, and may be invested only in accordance with statutes for investment of trust funds, including other investments that are specifically designated in the trust agreement.

(l) The trustee receives and holds as trustee all money paid to it as trustee by the department, the employee beneficiaries, or by other persons for the uses stated in the trust agreement...

(o) No part of the corpus or income of the trust fund may be used or diverted to any purpose other than the exclusive benefit of the members and the beneficiaries of the members."

**ELKHART COUNTY, INDIANA
EXIT CONFERENCE
YEAR ENDED DECEMBER 31, 2021**

The contents of this report were discussed on May 10, 2023, with Patricia Pickens, County Auditor; Tiara Jackson, Deputy County Auditor; Brad Rogers, President of the Board of County Commissioners; Thomas Stump, President of the County Council; and Sommer Cannon, Baker Tilly consultant.



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