

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

COMPLIANCE ENGAGEMENT REPORT

OF

KNOX COUNTY SOLID WASTE MANAGEMENT DISTRICT

KNOX COUNTY, INDIANA

January 1, 2019 to December 31, 2023



**FILED**  
06/25/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director/Fiscal Officer	Michelle Smith	01-01-19 to 12-31-24
President of the District Board	Thomas Estabrook	01-01-19 to 12-31-24



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE KNOX SOLID WASTE MANAGEMENT  
DISTRICT, KNOX COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Knox County Solid Waste Management District (District) for the period of January 1, 2019 to December 31, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the District as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the District's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Michelle Smith, Executive Director/Fiscal Officer; Joe Yochum, Vice President of the District Board; Trent Hinkle, District Board member; Ed Gornall, District Board member; and Mary Crismore, District Board member, on June 20, 2024.



Beth Kelley, CPA, CFE  
Deputy State Examiner

May 13, 2024

KNOX COUNTY SOLID WASTE MANAGEMENT DISTRICT  
COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

Internal control deficiencies resulted in the noncompliance over the Annual Financial Report; bank account reconciliations and improper reporting of financial transactions; capital assets; financial transactions and reporting; penalties, interest, and other charges; public records retention; and travel policy detailed further in the comments below.

*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. . . ."

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

The Annual Financial Reports (AFR) submitted via the Indiana Gateway for Government Units financial reporting system did not properly report the District's financial information. All AFRs submitted for the engagement period contained errors as identified below.

*Financial Information*

The District received tax distributions from Knox County each year which comprised most of the District's receipts during the engagement period. The District incorrectly reported the distributions as receipts from Charges for Services instead of receipts from Taxes and Intergovernmental.

The District did not report debt proceeds from a loan obtained by the District or the corresponding purchase of a building by the District in 2021. This resulted in an understatement of both receipts and disbursements in the amount of \$185,000. Adjustments were proposed, accepted by the District, and made to the 2021 Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented in this report.

KNOX COUNTY SOLID WASTE MANAGEMENT DISTRICT  
COMMENTS  
(Continued)

*Schedule of Payables and Receivables*

The District did not report amounts for accounts payable or accounts receivable for any year of the engagement period and did not maintain any supporting documentation to determine the amounts of payables and receivables that should have been reported.

*Schedule of Leases and Debt*

The District did not have any leases to report during the engagement period and did not have any debt in 2019 or 2020. The District reported an ending principal balance of \$0 for 2021, when the District obtained a loan during the year that did not mature until 2036. The District incorrectly reported the ending principal balance for 2022 and 2023. The District also incorrectly reported the principal due within one year in 2021 and 2023.

*Schedule of Capital Assets*

The capital asset amounts reported for each year of the engagement period were not supported by the subsidiary capital asset ledger provided by the District for review. The District reported total capital assets of \$630,615 in 2023.

*Criteria*

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports 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](#)."

**BANK ACCOUNT RECONCILIATIONS AND IMPROPER POSTING OF FINANCIAL TRANSACTIONS**

*Condition and Context*

Multiple issues were noted with the District's bank account reconciliations. The District performed monthly reconciliations throughout the engagement period; however, the reconciliations were not completed based upon the month-end depository statements. Instead, the reconciliations were performed in the middle of the month using the bank balance immediately prior to the monthly meetings of the District Board. As a result, variances totaling \$1,225 and \$90,782 existed between the year-end bank balance and the ending cash balance presented in the District's financial statement for 2019 and 2021, respectively.

The variance in 2019 was the result of the District posting the remainder of December's financial activity after the December District Board meeting to the ledger in January 2020. The variance in 2021 was twofold. The District posted two receipts totaling \$107,457 that were received and deposited in the bank in December 2021 and to the ledger in January 2022. Additionally, the District ran an accrual-basis, instead of cash-basis, profit and loss statement from QuickBooks to generate the receipt and disbursement amounts presented in the financial statement. As a result, five expenses totaling \$16,675 incurred in 2020 but paid in January 2021, were excluded from the disbursements reported in the District's 2021 financial statement. Rather than correcting the 2021 financial statement, the District posted those expenses as disbursements in its 2022 financial statement.

KNOX COUNTY SOLID WASTE MANAGEMENT DISTRICT  
COMMENTS  
(Continued)

Starting in December 2022, the District began performing a 13 reconciliation as of December 31 per the recommendation of the District's consultant. No issues were noted with the year-end reconciliations performed for 2022 and 2023.

*Criteria*

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 51-15-1-1.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction.

(Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

**CAPITAL ASSETS**

*Condition and Context*

The District did not provide evidence that a capital asset policy was established during the engagement period that includes a threshold for which an item would be considered a capital asset or that a complete inventory had been taken at least every two years. The District did maintain a complete detailed listing of capital assets, but it did not agree to the amounts reported as capital assets by the District as noted in the comment entitled *Annual Financial Report*.

*Criteria*

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

**FINANCIAL TRANSACTIONS AND REPORTING**

*Condition and Context*

The District obtained a \$185,000 loan in 2021 for the purchase of a building. The District did not record the debt proceeds and subsequent purchase of the building as receipts and disbursements in its ledger. As a result, the activity was not reported in the District's financial statement as discussed in the comment entitled *ANNUAL FINANCIAL REPORT*.

KNOX COUNTY SOLID WASTE MANAGEMENT DISTRICT  
COMMENTS  
(Continued)

*Criteria*

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 51-15-1-1.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction.

(Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

**PENALTIES, INTEREST, AND OTHER CHARGES**

This same comment appeared in prior Report B47042.

*Condition and Context*

During the engagement period, the District incurred \$111 in interest charges on the District's credit card.

*Criteria*

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Payment should not be made on the basis of a statement or a credit card statement only. . . . any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee. (Credit Card Policy for Knox County Solid Waste District, Point 8)

**PUBLIC RECORDS RETENTION**

*Condition and Context*

The District did not maintain copies of bank statements for any month during the engagement period. In order to perform procedures related to the District's cash balance, bank statements had to be requested directly from the financial institution.

KNOX COUNTY SOLID WASTE MANAGEMENT DISTRICT  
COMMENTS  
(Continued)

*Criteria*

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

**TRAVEL POLICY**

*Condition and Context*

The District did not provide evidence that a travel policy was established during the engagement period. There were 61 disbursements selected for testing, of which 33 were travel-related, including meals, lodging, and airfare.

*Criteria*

Each unit must adopt a written travel policy in conformity with applicable laws. Reimbursement for lodging and meals must be based upon actual receipts for amounts paid unless otherwise authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

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STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH  
AND INVESTMENT BALANCES - REGULATORY BASIS

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KNOX COUNTY SOLID WASTE MANAGEMENT DISTRICT  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Years Ended December 31, 2019 and 2020

Fund	Cash and Investments 01-01-19	Receipts	Disbursements	Cash and Investments 12-31-19	Receipts	Disbursements	Cash and Investments 12-31-20
Solid Waste Management Fund	\$ 274,789	\$ 331,026	\$ 287,477	\$ 318,338	\$ 398,154	\$ 305,721	\$ 410,771
Totals	<u>\$ 274,789</u>	<u>\$ 331,026</u>	<u>\$ 287,477</u>	<u>\$ 318,338</u>	<u>\$ 398,154</u>	<u>\$ 305,721</u>	<u>\$ 410,771</u>

KNOX COUNTY SOLID WASTE MANAGEMENT DISTRICT  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Years Ended December 31, 2021 and 2022

Fund	Cash and Investments 01-01-21	Receipts	Disbursements	Cash and Investments 12-31-21	Receipts	Disbursements	Cash and Investments 12-31-22
Solid Waste Management Fund	\$ 410,771	\$ 230,966	\$ 408,846	\$ 232,891	\$ 467,718	\$ 383,334	\$ 317,275
Totals	<u>\$ 410,771</u>	<u>\$ 230,966</u>	<u>\$ 408,846</u>	<u>\$ 232,891</u>	<u>\$ 467,718</u>	<u>\$ 383,334</u>	<u>\$ 317,275</u>

KNOX COUNTY SOLID WASTE MANAGEMENT DISTRICT  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended December 31, 2023

Fund	Cash and Investments 01-01-23	Receipts	Disbursements	Cash and Investments 12-31-23
Solid Waste Management Fund	\$ 317,275	\$ 471,063	\$ 547,435	240,903
Totals	<u>\$ 317,275</u>	<u>\$ 471,063</u>	<u>\$ 547,435</u>	<u>\$ 240,903</u>