

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

COMPLIANCE ENGAGEMENT REPORT

OF

MARTIN COUNTY SOLID WASTE MANAGEMENT DISTRICT

MARTIN COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED
08/26/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Compliance Report	3-4
Comments	5-12
Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis.....	14-15

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	January Roush	01-01-20 to 05-08-20
	Vacant	05-09-20 to 05-10-20
	Laura Albertson (interim)	05-11-20 to 07-07-20
	James Williams	07-08-20 to 09-14-22
	Robin Haulk (interim)	09-15-22 to 07-19-23
	Janell Freeman (interim)	07-20-23 to 08-15-23
	Janell Freeman	08-16-23 to 12-31-24
Controller	June A. Eckerle	01-01-20 to 05-24-24
	Mykaela Rice	05-25-24 to 12-31-24
Treasurer	Noel Harty	01-01-20 to 12-31-20
	Teresa Nolley	01-01-21 to 12-31-23
	Cody Roush	01-01-24 to 12-31-24
President of the District Board	Richard Summers	01-01-20 to 12-31-20
	Noel Harty	01-01-21 to 12-31-23
	Brian T. Ader	01-01-24 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Martin County Solid Waste Management District (District), for the period of January 1, 2020 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 Brian T. Ader, President of the District Board; Mike Engleman, Vice President of the District Board; Paul George, District Board member; Aaron C. Summers, District Board member; Kevin R. Boyd, District Board member; Jim R. Hamby, Jr., District Board member; Janell Freeman, Director; Mykaela Rice, Controller; and Michelle Norris, Martin County Auditor, on August 15, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

July 15, 2024

MARTIN COUNTY SOLID WASTE MANAGEMENT DISTRICT
COMMENTS

INTERNAL CONTROLS

Condition and Context

Internal control deficiencies resulted in noncompliance over the following areas as detailed further in the comments below:

- Bank Account Reconciliations
- Capital Assets
- Payroll Disbursements
- Receipt Issuance
- Appropriations
- Errors on Claims
- Annual Financial Report
- Board Minutes Missing
- Public Purchase

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. . . ."

BANK ACCOUNT RECONCILIATIONS

Condition and Context

Monthly depository reconciliations of the District's fund balances to its bank account balances were not presented for examination for 2 of the 20 months selected for testing.

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."

MARTIN COUNTY SOLID WASTE MANAGEMENT DISTRICT
COMMENTS
(Continued)

CAPITAL ASSETS

Condition and Context

The District Board had not passed a formal capital assets policy. On April 17, 2019, the District Board did pass a capital asset threshold amount, although no written policy was presented that detailed other information such as asset valuation methods and physical inventory procedures.

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)

PAYROLL DISBURSEMENTS

Condition and Context

The following deficiencies were noted during the review of payroll disbursements:

- For 2021, no salary ordinance was passed by the District Board and payroll was paid based on 2020 salary ordinance.
- Two of twenty payroll disbursements tested were not paid per approved rates in the salary ordinances. In both instances, employees were paid at an hourly rate less than the approved salary ordinance.

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

RECEIPT ISSUANCE

Condition and Context

The Indiana State Board of Accounts is responsible for prescribing and/or approving the accounting forms/records for all governmental units. The District did not use the prescribed Form 352 (Receipt) for any collections during the engagement period.

Criteria

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

MARTIN COUNTY SOLID WASTE MANAGEMENT DISTRICT
COMMENTS
(Continued)

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

APPROPRIATIONS

This same comment appeared in a Management Letter addressed to the District Officials for the engagement period ending December 31, 2019.

Condition and Context

Expenditures in the Solid Waste Management Fund exceeded the approved budget in 2021, 2022, and 2023, in the amounts of \$75,208; \$151,662; and \$192,682, respectively.

Criteria

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

ERRORS ON CLAIMS

Condition and Context

During the review of twenty vendor claims selected for testing during the engagement period, the following errors were noted:

- Eleven claims were not approved by an officer or person receiving the goods or services and certified by the fiscal officer prior to payment.
- One of the claims did not have the District Board approval.
- The approval of claims by the District Board occurred when they met in person, as a result, claims were found to be paid in advance of the District Board approval. No process or provision for approving payments in advance, as passed via a District Board ordinance, was in place.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;

MARTIN COUNTY SOLID WASTE MANAGEMENT DISTRICT
COMMENTS
(Continued)

- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Indiana Code 13-26-5-9 states:

"(a) As used in this section, 'electronic funds transfer' means a transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, that is initiated through an electronic terminal, a telephone, a computer, magnetic tape, or other electronic means to order, instruct, or authorize a financial institution to debit or credit an account.

(b) A board may adopt an ordinance allowing money to be disbursed for lawful district purposes under this section.

(c) As part of an ordinance adopted under subsection (b), or by a separate ordinance adopted by the board, the board may authorize the district to do one (1) or both of the following through an electronic funds transfer method of payment:

- (1) Pay claims owed by the district.
- (2) Receive payments owed to the district.

If the board adopts an ordinance to grant the district the authority described in subdivision (1), the district may pay money from its funds by electronic funds transfer. However, the authority granted to a district by this subsection does not affect the rights, liabilities, or responsibilities of participants in an electronic fund transfer under the federal Electronic Fund Transfer Act (15 U.S.C. 1693 et seq.), and a regional district that pays a claim by electronic funds transfer shall comply with all other requirements for the payment of claims by the regional district.

(d) Notwithstanding [IC 5-11-10](#), with the prior written approval of the board, the fiscal officer of the district may make claim payments in advance of board allowance for the following kinds of expenses if the board has adopted an ordinance under subsection (b):

- (1) Property or services purchased or leased from the United States government, its agencies, or its political subdivisions.
- (2) License or permit fees.
- (3) Insurance premiums.
- (4) Utility payments or utility connection charges.
- (5) General grant programs for which advance funding is not prohibited and the contracting party posts sufficient security to cover the amount advanced.
- (6) Grants of state funds authorized by statute.

MARTIN COUNTY SOLID WASTE MANAGEMENT DISTRICT
COMMENTS
(Continued)

- (7) Maintenance or service agreements.
 - (8) Leases or rental agreements.
 - (9) Bond or coupon payments.
 - (10) Payroll.
 - (11) State or federal taxes.
 - (12) Expenses that must be paid because of emergency circumstances.
 - (13) Expenses described in an ordinance.
- (e) Each payment of expenses under this section must be supported by a fully itemized invoice or bill and certification by the fiscal officer of the district.
- (f) The board shall review and allow a claim paid under subsection (d) at the board's next regular or special meeting following the preapproved payment of the expense."

ANNUAL FINANCIAL REPORT

Condition and Context

The Annual Financial Report (AFR) and Other Information are required to be entered annually into the Indiana Gateway for Government Units (Gateway) financial reporting system.

The following errors in the AFR and Other Information were identified:

Accounts Payable/Receivable

- For 2020, 2021, 2022, and 2023, the District reported accounts payable and accounts receivable in Gateway with no detailed listing to support the reported amounts.

Leases and Debt

- For 2022, no debt was reported, but the District had borrowed \$213,515 to purchase a cardboard baler.
- For 2023, two note payable debts were incorrectly reported in Gateway. Purchase of a cardboard baler ending principal balance was overstated by \$40,706, and principal due within one year was understated \$43,215. Operating Expense note payable ending principal balance was overstated by \$25,000, and principal due within one year was overstated \$25,000.

Capital Assets

- For 2020, 2021, 2022, and 2023, the capital assets reported in Gateway could not be verified to the detailed capital asset listing presented for review. The amount reported at December 31, 2023, was \$861,534.

MARTIN COUNTY SOLID WASTE MANAGEMENT DISTRICT
COMMENTS
(Continued)

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 as set forth in the uniform compliance guidelines. 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](#)."

BOARD MINUTES MISSING

Condition and Context

No District Board minutes were presented for 17 of the 48 months during the engagement period.

Criteria

Indiana Code 5-14-1.5-4 states in part:

". . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

PUBLIC PURCHASE

Condition and Context

The District did not properly bid for the purchase of equipment that exceeded \$150,000. In 2023, the District did not perform the formal bid process for the purchase of a baler and conveyor with a total cost of \$213,515. No supporting documentation was provided to document the purchasing method and whether the vendor was considered a single source supplier of the baler and conveyor.

MARTIN COUNTY SOLID WASTE MANAGEMENT DISTRICT
COMMENTS
(Continued)

Criteria

Indiana Code 5-22-7-1 states: "A purchasing agent shall follow the procedure described in this chapter in awarding a contract for supplies, unless another purchasing method is required or authorized by this article."

Indiana Code 5-22-7-2 states:

"(a) A purchasing agent shall issue an invitation for bids.

(b) An invitation for bids must include the following:

- (1) A purchase description.
- (2) All contractual terms and conditions that apply to the purchase.
- (3) A statement of the evaluation criteria that will be used, including any of the following:
 - (A) Inspection.
 - (B) Testing.
 - (C) Quality.
 - (D) Workmanship.
 - (E) Delivery.
 - (F) Suitability for a particular purpose.
 - (G) The requirement imposed under [IC 5-22-3-5](#).
- (4) The time and place for opening the bids.
- (5) A statement concerning whether the bid must be accompanied by a certified check or other evidence of financial responsibility that may be imposed in accordance with rules or policies of the governmental body.
- (6) A statement concerning the conditions under which a bid may be canceled or rejected in whole or in part as specified under [IC 5-22-18-2](#)."

Indiana Code 5-22-7-5(a) states: "The purchasing agent shall give notice of the invitation for bids in the manner required by [IC 5-3-1](#)."

Indiana Code 5-22-7-6 states: "The purchasing agent shall open bids publicly in the presence of one (1) or more witnesses at the time and place designated in the invitation for bids."

MARTIN COUNTY SOLID WASTE MANAGEMENT DISTRICT
COMMENTS
(Continued)

Indiana Code 5-22-7-7 states:

"Bids must be:

- (1) unconditionally accepted without alteration or correction, except as provided in sections 11 through 13 of this chapter; and
- (2) evaluated based on the requirements provided in the invitation for bids."

Indiana Code 5-22-10-13 states: "Subject to sections 14 and 15, a purchasing agent may award a contract for a supply when there is only one (1) source for the supply and the purchasing agent determines in writing that there is only one (1) source for the supply."

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

MARTIN COUNTY SOLID WASTE MANAGEMENT DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2020 and 2021

Fund	Cash and Investments 01-01-20	Receipts	Disbursements	Cash and Investments 12-31-20	Receipts	Disbursements	Cash and Investments 12-31-21
Solid Waste Management Fund	\$ 133,709	\$ 539,929	\$ 491,733	\$ 181,905	\$ 455,059	\$ 441,811	\$ 195,153
Old National Can Account	212	391	486	117	455	315	257
Rainy Day Fund	86,816	-	86,816	-	-	-	-
Martin Co Solid Waste District PERF	50	5,880	5,880	50	12,559	12,559	50
Martin Co SWMD Health Ins	50	16,671	15,668	1,053	16,280	17,283	50
Martin County Solid Waste District Payroll	-	-	-	-	83,511	83,461	50
Nonreverting Capital Fund	141,282	-	141,282	-	-	-	-
Totals	<u>\$ 362,119</u>	<u>\$ 562,871</u>	<u>\$ 741,865</u>	<u>\$ 183,125</u>	<u>\$ 567,864</u>	<u>\$ 555,429</u>	<u>\$ 195,560</u>

MARTIN COUNTY SOLID WASTE MANAGEMENT DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2022 and 2023

Fund	Cash and Investments 01-01-22	Receipts	Disbursements	Cash and Investments 12-31-22	Receipts	Disbursements	Cash and Investments 12-31-23
Solid Waste Management Fund	\$ 195,153	\$ 442,963	\$ 583,662	\$ 54,454	\$ 611,233	\$ 638,182	\$ 27,505
Old National Can Account	257	406	149	514	-	40	474
Martin Co Solid Waste District PERF	50	20,572	20,572	50	20,365	20,365	50
Martin Co SWMD Health Ins	50	23,225	23,187	88	21,317	21,355	50
Martin County Solid Waste District Payroll	50	226,434	226,434	50	208,122	208,122	50
Totals	<u>\$ 195,560</u>	<u>\$ 713,600</u>	<u>\$ 854,004</u>	<u>\$ 55,156</u>	<u>\$ 861,037</u>	<u>\$ 888,064</u>	<u>\$ 28,129</u>