

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ELKHART COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED
05/24/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Patricia A. Pickens	01-01-22 to 12-31-24
County Treasurer	Tina M. Bontrager	01-01-22 to 12-31-24
Clerk of the Circuit Court	Christopher J. Anderson	01-01-22 to 12-31-24
County Sheriff	Jeffery A. Siegel	01-01-22 to 12-31-24
County Recorder	Jennifer L. Doriot Kaala Baker	01-01-22 to 12-31-22 01-01-23 to 12-31-24
President of the Board of County Commissioners	Suzanne M. Weirick Brad Rogers	01-01-22 to 12-31-22 01-01-23 to 12-31-24
President of the County Council	Thomas W. Stump	01-01-22 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF ELKHART COUNTY, INDIANA

This report is supplemental to the audit report of Elkhart County (County), for the period from January 1, 2022 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the County. It should be read in conjunction with the Financial Statements Audit Report of the County, which provides our opinions 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 performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

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

Beth Kelley, CPA, CFE
Deputy State Examiner

May 15, 2024

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COUNTY AUDITOR
ELKHART COUNTY

COUNTY AUDITOR
ELKHART COUNTY
AUDIT RESULTS AND COMMENTS

ANNUAL ENGAGEMENT UPLOADS

A similar comment also appeared in prior Report 000000630S, entitled *TIMELY SUBMISSIONS TO GATEWAY*.

Condition and Context

Annual upload requirements include the detail of receipt activity, detail of disbursement activity, current year salary ordinance, an annual vendor history report, annual payroll history report, annual funds ledger summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund.

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

Criteria

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

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 County Auditors of Indiana, Chapter 1)

INTERNAL CONTROLS

Condition and Context

There was a deficiency in the internal control system of the County related to financial transactions and reporting.

The County had not separated incompatible activities related to Total OPEB Liability. The County contracted with an actuary to calculate the Total OPEB liability. Census data provided to the actuary did not have a documented oversight, review, or approval process to ensure census data was accurate prior to submission.

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:

COUNTY AUDITOR
ELKHART COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

"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

A similar comment also appeared in prior Report 00000630S, entitled *PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)*.

Condition and Context

The County is required to file Annual Financial Reports, which include the federal grant worksheet, which is the basis for the Schedule of Expenditures of Federal Awards (SEFA), after the close of each fiscal year. The reports are to be filed electronically as prescribed.

The County's SEFA was prepared by its consultant and then reviewed by the County Auditor prior to submission to the Indiana State Board of Accounts for audit. The internal controls over the federal award information compiled by the Consultant, which was the source of the County's SEFA, were not effective.

The County failed to properly review the federal grant information prepared by the Consultant. Although the County Auditor reviewed and approved the information provided by the Consultant, the internal control was not effective and did not detect, or correct, errors prior to submission.

Due to the lack of effective internal controls, the SEFA presented for audit included the following errors:

- The COVID-19 - Emergency Rental Assistance Program expenditures were overstated by \$2,849,594.
- Other misstatements, totaling \$121,341, were identified in various other grants.
- Some programs had incorrect program names, pass-through entities, assistance listings numbers, and identifying numbers.

Audit adjustments were proposed, accepted by the County, and made to the SEFA presented in the Federal Compliance Audit Report for the County.

COUNTY AUDITOR
ELKHART COUNTY
AUDIT RESULTS AND 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 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](#)."

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COUNTY AUDITOR
ELKHART COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 15, 2024, with Patricia A. Pickens, County Auditor; Brad Rogers, President of the Board of County Commissioners; and Thomas W. Stump, President of the County Council.