

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ELKHART COUNTY, INDIANA

January 1, 2016 to December 31, 2016



**FILED**  
12/26/2018



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Pauline E. Graff	01-01-15 to 12-31-18
County Treasurer	Jackie L. Meyers (Vacant) Larry Ernest Tina M. Bontrager	01-01-13 to 09-13-16 09-14-16 to 09-25-16 09-26-16 to 12-31-16 01-01-17 to 12-31-20
Clerk of the Circuit Court	Wendy S. Hudson (Vacant) Christopher Anderson	01-01-15 to 08-17-18 08-18-18 to 08-19-18 08-20-18 to 12-31-22
County Health Officer	Dr. Daniel Nafziger Dr. Lydia K. Mertz	01-01-16 to 01-02-18 01-03-18 to 12-31-18
President of the Board of County Commissioners	Terry J. Rodino Mike Yoder	01-01-16 to 12-31-16 01-01-17 to 12-31-18
President of the County Council	John K. Letherman	01-01-16 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF ELKHART COUNTY, INDIANA

This report is supplemental to our audit report of Elkhart County (County), for the period from January 1, 2016 to December 31, 2016. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

December 18, 2018

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COUNTY AUDITOR  
ELKHART COUNTY

COUNTY AUDITOR  
ELKHART COUNTY  
FEDERAL FINDING

***FINDING 2016-001***

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Condition*

There were several deficiencies in the internal control system of the County related to financial transactions and reporting.

*Receipts*

There was no oversight or review in the County Auditor's office to ensure receipts were posted to the correct fund and for the correct amount.

*Disbursements - Fringe Benefits*

There was no oversight or review for the County's share of fringe benefits such as payments to the Public Employee Retirement Fund, Long-Term Disability, and the County's share of Social Security and Medicare. These disbursements were not included on the approved claims docket.

*Context*

The lack of controls was a systemic issue that occurred throughout the audit period.

*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  
FEDERAL FINDING  
(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. . . ."

*Cause*

Management of the County had not established a proper system of internal control.

*Effect*

The failure to establish controls could have enabled misstatements or irregularities to remain undetected.

*Recommendation*

We recommended that the County establish a system of internal controls related to financial transactions and reporting including receipts and fringe benefit disbursements.

*Views of Responsible Officials*

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

# Elkhart County Auditor's Office

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## CORRECTIVE ACTION PLAN

### **FINDING 2016-001**

Contact Person Responsible for Corrective Action: Pauline E. Graff  
Contact Phone Number: (574) 535-6719

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: A new form was created through payroll for employer benefits to be included with the wage report that is approved by the Commissioners.

A new stamp was ordered and the process implemented as to one person enters the receipt and the other checks and stamps with the initials and date as to the accuracy of the quietus.

Anticipated Completion Date: Both processes have been implemented as of December 10, 2018

Pauline E. Graff  
(Signature)

Auditor  
(Title)

12-13-18  
(Date)

COUNTY AUDITOR  
ELKHART COUNTY  
AUDIT RESULT AND COMMENT

***AUDITOR RECORDS DO NOT RECONCILE WITH TREASURER RECORDS***

The County Auditor and County Treasurer were not reconciling by fund with each other on a monthly basis. They were reconciling in total with each other on a monthly basis. Neither the County Auditor nor the County Treasurer were using the Monthly Financial Statement, County Form No. 61.

At the close of each calendar month a Monthly Financial Statement, County Form No. 61, shall be prepared, showing the financial transactions for the month and year to date, for each fund and in total.

The county treasurer is also required to independently prepare a Monthly Financial Statement on the same form and the two statements must be reconciled. If any differences exist between the records of the auditor and the treasurer, they must be identified and immediate steps taken to bring the records of the two offices into agreement.

The statements are prescribed to be placed in a post-binder and shall be carefully preserved as a permanent record. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

COUNTY AUDITOR  
ELKHART COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2018, with Pauline E. Graff, County Auditor; Patricia A. Pickens, Deputy County Auditor; Mike Yoder, President of the Board of County Commissioners; David L. Hess, County Council member; and Tom Byers, County Administrator.

COUNTY TREASURER  
ELKHART COUNTY

COUNTY TREASURER  
ELKHART COUNTY  
AUDIT RESULT AND COMMENT

***AUDITOR RECORDS DO NOT RECONCILE WITH TREASURER RECORDS***

The County Auditor and County Treasurer were not reconciling by fund with each other on a monthly basis. They were reconciling in total with each other on a monthly basis. Neither the County Auditor nor the County Treasurer were using the Monthly Financial Statement, County Form No. 61.

The Monthly Financial Statement, Form 61, is a permanent record prepared from the treasurer's funds ledger at the close of each month. It is prepared after all postings to the ledger have been completed for the month and reflects the total receipts and disbursements and the balance for each fund for the month and for the year to date. The statement must agree with a similar statement kept by the county auditor, giving consideration to any adjustments required to reconcile the ledgers of the two offices. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 5)

COUNTY TREASURER  
ELKHART COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 13, 2018, with Tina M. Bontrager, County Treasurer, and Jodene Jones, Deputy County Treasurer.

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COUNTY HEALTH DEPARTMENT  
ELKHART COUNTY

COUNTY HEALTH DEPARTMENT  
ELKHART COUNTY  
FEDERAL FINDING

**FINDING 2016-002**

Subject: WIC Special Supplemental Nutrition Program for  
Women, Infants, and Children - Internal Controls

Federal Agency: Department of Agriculture

Federal Program: WIC Special Supplemental Nutrition Program for Women, Infants, and Children

CFDA Number: 10.557

Federal Award Numbers and Years (or Other Identifying Numbers): 40010557WICAD16,  
40010557WICAD17,  
A70-5-070637,  
40010557WPCG016,  
40010557WPCG017

Pass-Through Entity: Indiana State Department of Health

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles,  
Cash Management, Period of Performance, Reporting

Audit Finding: Material Weakness

*Condition*

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Performance, and Reporting.

*Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance*

Fringe benefits claims were not being approved by someone knowledgeable about the grant requirements or by other County officials. Fringe benefit payments were not going through the normal claim approval process.

*Period of Performance*

Payments were approved for goods and services that were not obligated during the period of performance. However, we determined that these payments did not constitute material non-compliance. Also, adjustments were made to the financial system without evidence of an oversight or review process.

*Cash Management, Reporting*

Reimbursement request reports were prepared by the Health Administration Manager without a documented review and approval process.

COUNTY HEALTH DEPARTMENT  
ELKHART COUNTY  
FEDERAL FINDING  
(Continued)

*Context*

The lack of controls was a systemic issue that occurred throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system placed the County at risk of non-compliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the County's management establish controls related to the grant agreement and the compliance requirements listed above.

*Views of Responsible Officials*

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



# Administration

608 Oakland Ave. | Elkhart, IN 46516  
574-523-2283 main line | 574-295-6186 fax

[elkhartcountyhealth.org](http://elkhartcountyhealth.org)

Elkhart County Health Department

## CORRECTIVE ACTION PLAN

### ***FINDING 2016-002***

Contact Person Responsible for Corrective Action: Concetta Sanfilippo

Contact Phone Number: 574-523-2101

Views of Responsible Official: We concur with the finding.

### Description of Corrective Action Plan:

#### *Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance*

Adjustments and employer benefits are being addressed at the County level by being approved by the Commissioners. Payments are reviewed on a monthly bases by the Health Department during the monthly reimbursement request.

#### *Period of Performance*

Adjustments are being addressed at the County level and they are reviewed by the Health Department on a weekly and monthly bases, before and during monthly reimbursement request preparation.

#### *Cash Management, Reporting*

Supporting documentation along with a copy of the invoice is sent by courier to the WIC Manager and the Auditors office. The original WIC invoice is sent by email for signature and review. A copy of the original invoice submitted to WIC will be returned to Health Administration stating that the WIC invoice was reviewed and the date the invoice was submitted.

Anticipated Completion Date: The process will start immediately.

Concetta Sanfilippo  
(Signature)

Manager of Administration  
(Title)

12-17-2018  
(Date)

**Striving to improve the lives and health of our community**



**Public Health**  
Prevent. Promote. Protect.

COUNTY HEALTH DEPARTMENT  
ELKHART COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 17, 2018, with Dr. Lydia K. Mertz, County Health Officer, and Concetta Sanfilippo, Administrative Manager.