

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

COMPLIANCE REPORT  
OF  
ELKHART COUNTY SOLID WASTE MANAGEMENT DISTRICT  
ELKHART COUNTY, INDIANA  
January 1, 2019 to December 31, 2019



**FILED**  
12/17/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	John Bowers	01-01-19 to 12-31-20
Treasurer	John Bowers	01-01-19 to 12-31-20
Chair of the District Board	Frank Lucchese	01-01-19 to 12-31-20



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

The Elkhart County Solid Waste Management District (District) is considered a component unit of Elkhart County (County) under accounting principles generally accepted in the United States of America. The District's financial information was audited as part of the County's financial statements for the period from January 1, 2019 to December 31, 2019. The Financial Statements Audit Report of the County, which provides our opinions on the County's financial statements and which include the District's financial information, may be found at [www.in.gov/sboa](http://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 Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures for the District. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

The District's Annual Financial Report information can be found on the Indiana Gateway for Government Units financial reporting system website: <https://gateway.ifionline.org>, and has not been subjected to any audit procedures.

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

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

October 5, 2020

ELKHART COUNTY SOLID WASTE MANAGEMENT DISTRICT  
RESULTS AND COMMENTS

**ADOPTION OF INTERNAL CONTROL STANDARDS**

The same comment also appeared in prior Report B53755.

*Condition and Context*

The District had not adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts.

*Criteria*

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision . . ."

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

The same comment also appeared in prior Report B53755.

*Condition and Context*

The District certified on the Indiana Gateway for Government Units (Gateway) financial reporting system that it had adopted the minimum internal control standards as required by Indiana Code 5-11-1-27(e) in 2019; however, during the engagement, there was no documentation to support those certifications made in Gateway.

*Criteria*

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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](#)."

**INTERNAL CONTROLS**

*Condition and Context*

Control activities should be selected and developed at various levels to reduce risks of error and/or fraud of the financial statements. The District had not separated incompatible activities related to net position, accounts receivable, accounts payable, and revenue and expenses of the financial statements. The failure to establish these controls could have enabled material misstatements to be undetected.

ELKHART COUNTY SOLID WASTE MANAGEMENT DISTRICT  
RESULTS AND COMMENTS  
(Continued)

*Net Position*

The District hired a financial consultant to prepare the Annual Financial Report (AFR) through the Indiana Gateway for Government Units financial reporting system, which was reviewed by the Treasurer. The financial consultant performed a conversion of the District's cash basis records to accrual for inclusion of the County's financial statements. There was no review process in place to ensure the conversion over net position was accurate.

*Accounts Receivable and Accounts Payable*

Accounts receivable and accounts payable reports were compiled by one employee before being sent to the financial consultant for reporting purposes. There was no documented review over these reports prior to submission.

*Revenues and Expenses*

Receipts and claims were posted into the ledger by one employee without a documented review process to ensure proper posting.

*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. . . ."

ELKHART COUNTY SOLID WASTE MANAGEMENT DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on October 5, 2020, with John Bowers, Director, and Mike Yoder, District Board member.