

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

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>
County Auditor	Patricia A. Pickens	01-01-19 to 12-31-20
County Treasurer	Tina M. Bontrager	01-01-19 to 12-31-20
Clerk of the Courts	Christopher J. Anderson	01-01-19 to 12-31-20
County Sheriff	Jeffrey A. Siegel	01-01-19 to 12-31-20
County Recorder	Jennifer L. Doriot	01-01-19 to 12-31-20
President of the Board of County Commissioners	Mike L. Yoder	01-01-19 to 12-31-20
President of the County Council	John K. Letherman	01-01-19 to 12-31-20
Director of the Solid Waste District	John E. Bowers	01-01-19 to 12-31-20



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, 2019 to December 31, 2019. 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 our 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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

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

November 19, 2020

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COUNTY AUDITOR
ELKHART COUNTY

COUNTY AUDITOR
ELKHART COUNTY
AUDIT RESULT AND COMMENT

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were several deficiencies in the internal control system of the County related to financial transactions and reporting. The County had not separated incompatible activities related to assets, liabilities, and financial reporting.

Assets

There was no evidence of an internal control to ensure that balances of loan receivables and interfund loan receivables (advances to other funds) were accurately reported in the financial statements. Loan receivables were overstated \$2,575,043 and advances to other funds were understated \$12,959,178.

There was no evidence of an internal control to ensure that balances of taxes receivable were accurately reported in the financial statements. In total, taxes receivable across all funds was understated \$6,646,187.

Liabilities

There was no evidence of a internal control to ensure that liabilities, such as the accounts payable, accrued payroll and withholdings payable, and contracts payable were accurately reported in the financial statements. In total, accounts payable was misstated in 99 percent of governmental activities and 100 percent of business-type activities; contracts payable was misstated 100 percent.

There was no evidence of a control to ensure that balances of loan payables and interfund loan payables (advances from other funds) were accurately reported in the financial statements. Loan payables were overstated \$10,400,000 and advances from other funds were understated \$12,959,178.

There was no evidence of a control to ensure that data used to calculate total OPEB liability was properly approved prior to submission to the actuary firm.

Financial Reporting

There were no effective internal controls to ensure timely, complete, and accurate financial reports. The financial statements and notes to financial statements contained multiple material misstatements: four funds were omitted from the financial statements, one major governmental fund was misclassified as a nonmajor governmental fund, Landfill transfers in and transfers out were overstated \$7,783,634, and notes on assets and liabilities detailed above were inaccurate.

COUNTY AUDITOR
ELKHART COUNTY
AUDIT RESULT AND COMMENT
(Continued)

Adjustments were proposed, approved by management, and made to the financial statements presented in the audit report.

There also was no evidence the County had an internal control in place to ensure the balances of its discretely presented component unit, Elkhart County Solid Waste Management District, were accurately reported in the financial statements.

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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 Counties of Indiana, Chapter 1)

COUNTY AUDITOR
ELKHART COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 19, 2020, with Patricia A. Pickens, County Auditor; Mike L. Yoder, President of the Board of County Commissioners; John K. Letherman, President of the County Council; Tina M. Wenger, County Council member; Fred Avery, First Deputy County Auditor; Daniel A. Hedden, Baker Tilly US, LLP, Partner; and Kelley Kemper, Baker Tilly US, LLP, Manager.