

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

PORTER COUNTY, INDIANA

January 1, 2019 to December 31, 2019



**FILED**  
12/30/2020

*Reissued September 3, 2021, to correct the Schedule of Findings and Questioned Costs and related reports.*



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	3-4
Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance .....	5-7
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards .....	10-11
Notes to Schedule of Expenditures of Federal Awards.....	12
Schedule of Findings and Questioned Costs.....	13-17
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	20-22
Corrective Action Plan .....	23-26
Other Reports.....	27

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Vicki Urbanik	01-01-19 to 12-31-20
County Treasurer	Michelle Clancy	01-01-17 to 12-31-20
Clerk of the Circuit Court	Jessica Bailey	01-01-19 to 12-31-20
County Sheriff	David Reynolds	01-01-19 to 12-31-20
County Recorder	Charles Harris	01-01-19 to 12-31-20
President of the Board of County Commissioners	Jeffrey Good	01-01-19 to 12-31-20
President of the County Council	Dan Whitten Jeremy Rivas	01-01-17 to 12-31-19 01-01-19 to 12-31-20



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF PORTER COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Porter County (County), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 10, 2021. The opinion on the aggregate discretely presented component units was adverse because one component unit was not properly included in the County's financial statements and one component unit was not included in the County's financial statements. Our report includes a reference to other auditors who audited the financial statements of Porter County Government Charitable Nonprofit Foundation (Foundation) as described in our report on County's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

***Compliance and Other Matters***


As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001.

***Porter County's Response to Findings***

The County's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

August 10, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

TO: THE OFFICIALS OF PORTER COUNTY, INDIANA

**Report on Compliance for the Major Federal Program**

We have audited Porter County's (County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2019. The County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the County's compliance.

***Opinion on the Major Federal Program***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

**Report on Internal Control over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Other Matters**

This report is replacing a previously issued report dated December 17, 2020, due to a change in the Schedule of Findings and Questioned Costs, Section II Financial Statement Findings, Finding 2019-001. Additional information regarding errors associated with Beginning Balances was added to the Condition and Context section.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated August 10, 2021, which contained unmodified opinions on those financial statements except for the aggregate discretely presented component units, for which the opinion was adverse. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

August 10, 2021

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the County. The schedule and notes are presented as intended by the County.

PORTER COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY 2019	\$ -	\$ 9,326
School Breakfast Program					
National School Lunch Program	Indiana Department of Education		FY 2019	-	14,907
School Lunch Program		10.555			
Total - Child Nutrition Cluster				-	24,233
Child and Adult Care Food Program	Indiana Department of Education	10.558	FY 2019	-	2,642
Child and Adult Care Food Program (CACFP)					
Total - Department of Agriculture				-	26,875
<u>Department of the Interior</u>					
Payments in Lieu of Taxes	Direct Grant	15.226	FY 2019	17,344	22,149
Payments in Lieu of Taxes (PILT)					
Outdoor Recreation Acquisition Development and Planning	Indiana Department of Natural Resources	15.916	1800591	-	43,738
LWCF Grant					
Total - Department of the Interior				17,344	65,887
<u>Department of Justice</u>					
Crime Victim Assistance	Indiana Criminal Justice Institute	16.575	31774	-	133,628
Domestic Violence Grant					
Violence Against Women Formula Grants	Indiana Criminal Justice Institute	16.588	39649	-	34,965
STOP Grant					
Equitable Sharing Program	Direct Grant	16.922	IND 6400000	-	149,016
Federal Forfeitures - County Sheriff					
Total - Department of Justice				-	317,609
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation				
Highway Planning & Construction (Federal-Aid Highway Program) Bridge #62		20.205	DES 1383364	-	83,470
Highway Planning & Construction (Federal-Aid Highway Program) 100 S			DES 1401029	-	258,877
Highway Planning and Construction (Federal-Aid Highway Program) Inspections 2018-2021			DES 1592163	-	79,600
Highway Planning and Construction (Federal-Aid Highway Program) Willowcreek			DES 1700500	-	80,763
Total - Highway Planning and Construction				-	502,710
Total - Highway Planning and Construction Cluster				-	502,710
Total - Department of Transportation				-	502,710

PORTER COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Health and Human Services</u>					
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Public Health Emergency Preparedness	Indiana State Department of Health	93.074	Contract #22910 & 26978	-	49,749
Immunization Cooperative Agreements Health IIC Grant	Indiana State Department of Health	93.268	NH23IP000723	-	8,106
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds Health IIC Grant	Indiana State Department of Health	93.539	H23IP000723	-	45,619
Child Support Enforcement Courts IV-D Clerk IV-D Prosecutor IV-D Indirect Costs IV-D	Indiana Department of Child Services	93.563	Circuit Court County Clerk County Prosecutor Indirect Costs	- - - -	101,992 96,980 499,530 215,797
Total - Child Support Enforcement				-	914,299
Total - Department of Health and Human Services				-	1,017,773
<u>Department of Homeland Security</u>					
Disaster Grants-Public Assistance (Presidentially Declared Disasters) FEMA-Public Assistance Reimbursement	Indiana Department of Homeland Security	97.036	385PA436300000	-	52,262
Pre-Disaster Mitigation Pre-Disaster Mitigation	Indiana Department of Homeland Security	97.047	19570	-	11,690
Total - Department of Homeland Security				-	63,952
Total federal awards expended				\$ 17,344	\$ 1,994,806

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

PORTER COUNTY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Summary of Significant Accounting Policies**

*A. Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 2019. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the County, it is not intended to and does not present the financial position of the County.

*B. Other Significant Accounting Policies*

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

**Note 2. Indirect Cost Rate**

The County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



PORTER COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Section II - Financial Statement Findings**

**FINDING 2019-001**

Subject: Financial Transactions and Reporting  
Audit Findings: Material Weakness, Noncompliance

*Condition and Context*

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

*Beginning Balances*

There were no internal controls in place to verify that the beginning balances were accurate. The County failed to make any adjustments for beginning receivables and payables.

As a result, the County overstated the revenues and expenditures in the Government Wide Statement of Activities and the Cable Franchise fund of \$236,990 and \$635,590, respectively. The beginning balance of the Cable Franchise fund was overstated by \$398,600. The Co Revenue Bond Project fund expenditures and beginning balances were overstated by \$2,644,768.

The construction in progress additions reported in the Notes to the Financial Statements (Notes) were overstated by \$2,644,768 and the beginning balance was understated by the same amount. The addition should have been reported under the beginning construction in progress.

An adjustment was proposed, accepted by the County, and made to the financial statements and notes to the financial statements.

*Capital Assets*

There were no internal controls in place to verify that the capital assets reports were accurate. The County was unable to provide supporting documentation for some of the assets reported.

Internal controls were ineffective and did not ensure that the Notes related to the capital assets were accurate. Capital assets not being depreciated within the Notes were overstated by \$11,169,288. An adjustment was proposed, accepted by the County, and made to the Notes to agree to the financial statements.

*Taxes Receivable*

There were no internal controls in place to ensure that Taxes Receivable reported on the financial statements was accurate. The Taxes Receivable on the financial statements did not agree to the County's supporting documentation. Taxes Receivable and the corresponding Intergovernmental Payable were understated by \$5,111,488. An adjustment was proposed, accepted by the County, and made to the financial statements.

*Interest Payable*

Internal controls were ineffective to ensure that Interest Payable was calculated correctly.

PORTER COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Net Pensions Held in Trust, Net Pension Liability, Deferred Inflows, Deferred Outflows, Net Pension Asset*

Internal controls were not effective to ensure that the fiduciary financial statements, and the related Notes were complete and free of material misstatements. The County Police Pension Retirement and County Police Benefit funds were omitted from the fiduciary financial statements presented. Adjustments were proposed, accepted by the County, and made to the financial statements.

Public Employees Retirement Fund (PERF) - The Airport Authority is a discretely presented component unit of the County. Due to a special funding situation regarding their participation in the PERF pension plan, the Airport Authority's financial amounts and disclosures should have been included with the County's plan as a whole. Because the Airport Authority reported and disclosed their pension information separately, the following errors in the financial statements and Notes were noted:

- The County's Net Pension Liability was understated by \$281,927, while the Airport Authority's Net Pension Liability was overstated by the same amount.
- The County Pension Expense was understated by \$47,223.
- Deferred Inflows and Outflows - The County understated the Deferred Inflows and Outflows of Resources, while the Airport Authority's Deferred Inflow and Outflows were overstated by the same amounts.

*Discretely Presented Component Units*

*Porter County Library*

The County did not include the Porter County Library as a discretely presented component unit on the financial statements. The Library was unable to provide their financial statements in a timely manner. The opinion of the Discretely Presented Component Units reflects this matter.

*Porter County Airport Authority and Porter County Recycling and Waste Reduction District*

There also was no evidence that the County had an internal control in place to ensure that the balances and required note disclosures of two of their discretely presented component units, the Porter County Airport Authority's and the Porter County Recycling and Waste Reduction District, were accurate and complete.

*Notes to the Financial Statements*

The County did not have effective internal controls in place to ensure the accuracy and completeness of the Notes. The Notes contained multiple misstatements and omissions as follows:

1. There was no note disclosure regarding the Airport Refunding Bond in 2019.
2. OPEB: The County omitted the health care cost Trend rates and salary changes from the actuarial assumptions.
3. Police Pension Plan: The County omitted required information regarding the plan investments including the discount rate.

PORTER COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

4. PERF:

- The County listed the measurement date as June 30, 2018, not June 30, 2019.
- The Geometric basis long-term expected real rate of return on plan assets did not agree to the State CAFR.
- County net pension liability discount rate sensitivity - The County's proportionate share of the net pension liability and county net pension liability (employers proportionate share (percentage) were understated due to the incorrect presentation of the Airport Authority.
- The County failed to include their contributions to the PERF plan for the year ended December 31, 2019, which resulted in an understatement of contributions of \$2,842,437.
- The County overstated the amortization of net deferred outflows/(inflows) in the County's pension plan disclosure. These amounts included only the County's portion; they did not include the Airport Authority.
- The County PERF disclosures also omitted the basis for determination of the plan's fiduciary net position, the plan's basis of accounting, including policies with respect to benefit payments (including refunds of employee contributions) and the valuation of plan investments, and information about the substance and magnitude of significant changes that have occurred and that indicate the disclosures included in the plan's financial report generally do not reflect the facts and circumstances at the measurement date.

*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. . . .

PORTER COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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. . . ."

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](#)."

*Cause*

Management of the County had not established or implemented a proper system of internal controls over financial reporting.

*Effect*

The failure to establish a system of internal controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County at risk that internal controls may not have been either designed properly or operating effectively to provide reasonable assurance that internal controls would have prevented, or detected and corrected, material misstatements in a timely manner.

*Views of Responsible Officials*

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

*Auditor's Response*

Errors noted may be individually immaterial; however, in the aggregate, the errors were material to the financial statements and notes to the financial statements both quantitatively and qualitatively.

**Section III - Federal Award Findings and Questioned Costs**

No matters are reportable.

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#### AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the County. The documents are presented as intended by the County.



Vicki Urbanik, CPA, CGFM, EA  
Auditor

(219) 465-3445

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2018-001** (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: Completed

Oct. 22, 2020

In the Corrective Action Plan in response to Finding 2018-001, we pledged to make several enhancements in our review of the Cost Allocation Plan (CAP), which is prepared by an outside consultant.

We carried out these enhancements as stated. Specifically, I met with the consultant prior to the next report's submission. I augmented my analysis of the CAP by using an internally prepared "CAP Auditor Review Worksheet." I delineated the items that were possible errors or in need of better clarification. I reviewed each item with the consultant, and documented the consultant's response. We also jointly signed a separate attestation checklist. I believe the review gave reasonable assurance that the Cost Allocation Plan (2017 for use in 2019) is generally accurate and complete.

*Vicki Urbanik*

Vicki Urbanik  
Porter County Auditor



**Jessica A Bailey**

Clerk of the Circuit and Superior Courts

Telephone  
(219) 465-3450

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2018-001**

Fiscal year in which the finding initially occurred: 2018

Contact Person Responsible for Corrective Action: Jessica Bailey

Contact Phone Number: 219-465-3463

Status of Audit Finding:

Following the 2018 audit, we worked closely with Dossett Consulting in efforts to execute quarterly time studies. The time studies are complete within a two-week span each quarter, and determine the Personal Activity Reports for Clerk Staff. Every quarter a copy of the time study is sent electronically to Dossett Consulting, stored electronically on the Porter County computer system, and the hard copy is stored in the Accounting Department. We have been successful in making sure these are complete each quarter.

Deputy Clerk/Accounting Coordinator

October 19, 2020

Porter County is an equal opportunity employer and does not discriminate on the basis of race, color religion, sex, age, national origin, disability, military status, genetic testing, pregnancy, sexual orientation or any other unlawful bias.

# PORTER COUNTY PROSECUTING ATTORNEY

## OFFICE OF CHILD SUPPORT ENFORCEMENT

157 S. Franklin  
Valparaiso, Indiana 46383  
Phone: 219-465-3405/Fax: 219-465-3689  
Email: [childsupport@porterco.org](mailto:childsupport@porterco.org)  
Website: [www.porterco.org](http://www.porterco.org)

Gary S. Germann  
Prosecuting Attorney

Laura A. Bernacki Stafford  
Child Support Director

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

#### ***FINDING 2018-001***

Fiscal year in which the finding initially occurred: 2018

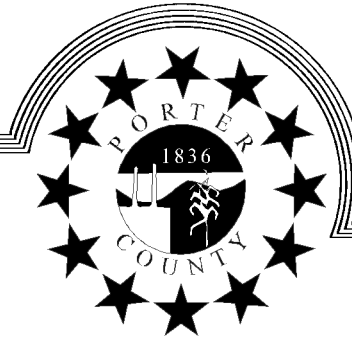
Status of Audit Finding:

With regard to the findings on page 64 under Prosecutor:

The employee that was claimed partial hours is no longer employed at the office. She kept her time for years and when a new elected prosecutor started the last few months of her records were lost. We no longer claim a partial salary.

We were unaware that the mail and telephone costs were also being claimed on the Cost Allocation Plan. We stopped claiming those costs.

Laura A Bernacki Stafford  
IVD Director  
Porter County, IN Child Support



Vicki Urbanik, CPA, CGFM, EA  
Auditor

(219) 465-3445

## CORRECTIVE ACTION PLAN

### ***FINDING 2019-001***

Contact Person Responsible for Corrective Action: Vicki Urbanik  
Contact Phone Number: 219-465-3350

#### Views of Responsible Official:

We concur with several findings, specifically: Deficiencies in the Porter County Airport's capital assets reporting, the omission of the tax payable in the Treasurer's Agency fund, the oversight in the interest payable calculation, and the omission of the Porter County Public Library as a component unit (although on the latter issue, we do raise a question of interpretation, elaborated below).

We do *not* concur with the remainder of the findings. We do not believe they rise to the level of a material weakness in our internal controls, especially considering the circumstances surrounding our 2019 GAAP statements.

Our 2019 financial statements constituted our first GASB GAAP report, and we accomplished this project in-house. This decision had two distinct benefits: It saved an estimated \$100,000 in taxpayer money while also deepening our internal knowledge of GAAP, in turn preparing us for successful statement preparation in the future. Further, we prepared these initial GAAP statements during the extremely challenging time of the COVID public health crisis. Our staff was reduced to a skeleton crew in spring, when the GAAP statements were compiled. This situation not only hampered our report preparation but also significantly impacted our carefully planned outreach with our component units. We do not believe this crisis and the challenges it created give rise to findings of lack of internal control. In some respects, we believe we actually developed strong controls in light of the extraordinary circumstances.

#### Items of Agreement

**Airport capital assets:** We agree that a deficiency exists in the capital asset reporting for the Porter County Airport, a discretely presented component unit. For years, the Airport has omitted capital assets in its annual financial reports. For our first GASB GAAP statements, we committed to work closely with the Airport to help it develop a comprehensive fixed asset listing, and the Airport was well aware in advance of the capital asset requirements. Due to the COVID crisis and the closure of the county buildings in the spring, we were unable to meet directly with the Airport as planned until mid-May, when we scheduled an on-site meeting, with capital assets being one of the main topics. Our fixed asset consultant, a CPA who has extensive experience in fixed asset reporting including that for airports of much larger size than Porter County's, attended this session. The costs for his service were funded not by the Airport but by the county's general fund.

The Airport was unable to provide documentation of their fixed assets at this meeting. It was agreed that in the remaining few weeks before we completed our financial statements that the Airport would work with our consultant in obtaining the necessary documentation. Our chief deputy also compiled an airport land valuation using the GIS and assessment data.

By the time of the report's deadline, we had compiled as much airport asset information as possible, and we utilized the expertise of our fixed asset consultant in developing reasonable estimates with the limited information. While we believe we developed proper controls, we acknowledge that the Airport's capital assets reporting needs significant improvement.

Treasurer tax payable: We agree that the tax receivable we reported should have also been reported as a tax payable in the Treasurer agency fund. We attribute this oversight to the fact that this was our first GASB GAAP report; the omission will be corrected going forward. We appreciate the audit guidance for correcting us on this topic.

Interest payable: We agree that the interest payable was not calculated correctly because we did not take into account the New York Bank of Mellon account balance. We attribute this oversight to the fact that this was our first GASB GAAP report; the omission will be corrected going forward. We appreciate the audit guidance for correcting us on this topic.

Porter County Public Library: We agree that the PCPL should be a discretely presented component unit because it meets GASB's financial accountability criteria. However, we wish to note that the statute that established the authority of counties to grant binding budget review of libraries was the source of much confusion in 2019, and the Indiana Department of Local Government Finance delayed implementation of the statute until it could be amended in 2020. Accordingly, we believe it is questionable if Porter County had the statutory authority prior to 2020 to impose its will over the PCPL in terms of budget approval.

### Items of Disagreement

Beginning Balances – We disagree with the finding that there were “no controls in place to verify that the beginning balances were accurate.” We disclosed in our MD&A and Notes that we did not prepare prior-year accruals, and as such did not attempt to compare the 2019 statements to a prior year. Our interpretation of GASB 62 led us to believe that this decision would be acceptable, especially in light of cost-benefit considerations and the challenges of preparing our first GAAP statement without the use of outside consultants during a global pandemic.

We also take exception to the timing of this finding – specifically, that the finding was not presented to us until approximately six months after the close of our 2019 audit. Had we known our interpretation of GASB 62 was incorrect during the audit process, we would have made the adjustments much more timely, just as we did when we reworked the statements to reflect the audit team's position on presentation of component units and, later, the presentation of pension calculations. Our objective, like the SBOA's, is to prepare as thorough and accurate financial statements as possible, and as timely as possible so as not to delay or disrupt the following year's statements.

Pensions – A number of the findings relate to the fact that the Porter County Airport, a discretely presented component unit, is included in the County's PERF/INPRS account. Based on the available information we had at the time of financial statement preparation, we were of the understanding that we needed to take the additional step of segregating the Airport PERF data from the County's. Accordingly, we sought professional guidance as to how to carry out this calculation. We believe our efforts at obtaining professional guidance constituted a good internal control.

During our audit, we were informed that a special funding situation exists that requires us to present the Airport and County data as one. Upon receiving this determination, we proceeded to revise our statements, a project that involved numerous adjustments in our work papers (pension calculations, journal entries, conversion worksheet), the statements, MD&A, and Notes. We committed to complete this work within the one-week time period we were given.

We will not comment on each of the Airport PERF-related items since the findings listed were all corrected by one action, namely, combining the County and Airport data.

We believe the pension reporting issue should be treated by the SBOA in the same manner as an earlier major revision in our statements, specifically, the determination by the SBOA that the Porter County Government Nonprofit Charitable Foundation (Foundation) is a blended component unit, not a discretely presented component unit as we initially presented. This determination was a significant change in our statements, requiring us to make numerous changes across various aspects of the report. Although we initially disagreed with the SBOA's interpretation, we nonetheless made the adjustments.

The Foundation and the Airport pension issues are similar in that they constituted a comprehensive change in our financial presentation – in a sense, establishing an important foundation for our statements going forward. For both, the SBOA did not give us the numbers to report as it would with a regular audit adjustment; we were the ones who prepared the numerous revisions in calculations, journal entries and adjustments. Clearly, in neither case were these simple adjustments.

Fortunately, we did not receive an audit finding for the manner in which we initially reported the Foundation. We would like to think that the SBOA intended to provide us professional audit guidance on a topic that has significant implications for our statements. This approach is similar to the guidance we have received from the private-sector auditors for our Foundation GAAP statements, in which our auditors have advised us on how to report certain elements without giving us the numbers to report and certainly without resulting in a finding of a material weakness or significant deficiency. We believe that as a matter of professional courtesy, the SBOA should view the Airport pension adjustment in the same manner, that is, to provide us critical guidance on what is considered a complex topic. As the field examiner informed us, this special funding situation is not a usual situation for counties.

Airport and Recycling District in general: We strongly disagree that there was “no evidence” that we had controls in place over the Airport’s and Recycling District’s data. We sent both component units an initial questionnaire that resulted in additional follow-up calls, emails and in-person meetings to discuss and verify certain aspects of the data they reported to us. In particular, we obtained bank statements and a capital asset inventory from the Recycling District. We did not solely depend on the questionnaire as indicated. We certainly planned much greater outreach with these component units but, as noted above, we were impacted by the office shutdowns due to the COVID crisis. We believe we did a commendable job working with these two units despite the extraordinary circumstances.

Note disclosures: The finding states that we had “multiple” omissions, as follows:

OPEB: We omitted the health care cost trend rates initially. We appreciate the SBOA audit team for pointing out this omission, but we do not believe this omission rises to a level of a finding.

We did *not* omit the salary changes as stated. The actuarial report prepared by Nyhart referred to the changes as “payroll growth” and accordingly, we used the same title. In other words, the information wasn’t omitted; it was just labeled differently.

Police pension plan discount rate: We omitted a paragraph on the discount rate. We appreciate the SBOA audit team for pointing out this omission, but we do not believe it rises to the level of a finding.

PERF measurement date of June 30, 2018: This clearly was a typo. The year should have been 2019. We appreciate the SBOA audit team pointing out this typographical error, but we do not believe this rises to the level of a finding.

PERF Expected Real Rate of Return on Plan Assets: The finding states our information did not match the 2019 State CAFR. Our table is exactly the same as the table presented in the 2019 State CAFR. The state used the same table for both their 2018 and 2019 reports, and did not match INPRS for 2019. The information we should have presented can be found in the 2019 INPRS CAFR. In any event, the change in percentages ranged from a low of 0.1% to a high of 1.6%, which we do not believe rises to the level of a finding.

PERF contributions for year ending December, 2019: For this particular schedule, we used a June measurement date, following the approach taken by Hamilton County in its 2018 statements. Once we were informed we should use the December date, we adjusted the figures accordingly. We appreciate the SBOA audit team for pointing out this requirement, but we do not believe the error gives rise to a finding.

Additional PERF language: We omitted additional PERF language including that the plan’s fiduciary net position was “determined on the same basis as that used by the plan” and that disclosures “generally do not reflect the facts and circumstances at the measurement date.” We appreciate the SBOA team for pointing out this language omission but do not believe it contributes to a finding.

Description of Corrective Action Plan: As stated above, this was our first GASB GAAP project, and we knew that it would be a challenge given the breadth and complexities of GAAP. We have already adjusted for the Airport PERF data and will make all the other various adjustments as noted. Most are relatively straight-forward corrections.

We already planned to include the Porter County Public Library in our 2020 financial statements, and we have already had several discussions about this matter with library officials.

We plan to carry out our original plan for in-depth meetings with all component units. Our plans include an internal control training, at which we will emphasize the need for component units to provide us with all requested supporting documentation in a timely manner. We also plan to have “exit” meetings with the component units to review the financial data we prepare on their behalf. This certainly was our plan for our 2019 statements, but the COVID crisis prevented us from carrying out this task.

We will continue to work with the Airport on improving their capital asset reporting.

Anticipated Completion Date: With the preparation of the 2020 financial statements by June of 2021.

*Vicki Urbanik*

Vicki Urbanik  
Porter County Auditor

Dec. 17, 2020; updated, August 10, 2021

## OTHER REPORTS

In addition to this report, other reports may have been issued for the County. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.