

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ALLEN COUNTY, INDIANA

January 1, 2020 to December 31, 2020



**FILED**

12/09/2021



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Nicholas D. Jordan	01-01-20 to 12-31-21
County Treasurer	William F. Royce	01-01-20 to 12-31-21
Clerk of the Circuit Court	Christopher M. Nancarrow	01-01-20 to 12-31-21
County Sheriff	David J. Gladioux	01-01-20 to 12-31-21
County Recorder	Anita A. Mather	01-01-20 to 12-31-21
Highway Director	William Hartman	01-01-20 to 12-31-21
President of the Board of County Commissioners	Therese M. Brown Richard E. Beck	01-01-20 to 12-31-20 01-01-21 to 12-31-21
President of the County Council	Joel M. Benz Kyle A. Kerley	01-01-20 to 12-31-20 01-01-21 to 12-31-21



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF ALLEN COUNTY, INDIANA

This report is supplemental to our audit report of Allen County (County), for the period from January 1, 2020 to December 31, 2020. 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/](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 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.

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

November 23, 2021

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COUNTY AUDITOR  
ALLEN COUNTY

COUNTY AUDITOR  
ALLEN COUNTY  
AUDIT RESULTS AND COMMENTS

**MOTOR VEHICLE HIGHWAY (MVH) RESTRICTED FUND**

The same comment also appeared in prior Report B55853.

*Condition and Context*

The County did not use the appropriate fund numbers when implementing the new MVH Restricted Fund. The MVH Fund (County Highway) and the MVH Restricted Funds were not shown separately on the Annual Financial Report.

*Criteria*

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shown as follows:

Counties

Fund 1176 MVH  
Fund 1173 MVH Restricted . . .

**Together, MVH and MVH Restricted shall constitute the total MVH Fund.** MVH and MVH Restricted will be shown separately on the Annual Financial Report and Annual Operational Report. (State Examiner Directive 2018-2)

**FINANCIAL TRANSACTIONS AND REPORTING - FALL SETTLEMENT**

*Condition and Context*

While completing the January 2021 monthly bank reconciliation, the County Treasurer's office discovered that the amount disbursed for the 2020 Fall Settlement was \$14,336,020 above the State approved Settlement worksheet, Form 105 amount. Upon inspection by the offices of the County Auditor and County Treasurer, it was discovered that the County Auditor incorrectly calculated the Fall Settlement disbursements by not removing the July advance on County Form No. 22, County Auditor's Certificate of Tax Distribution. The County Treasurer disbursed the Fall Settlement without verifying to internal supporting documents, such as the Treasurer's Cash Book, thus rendering the internal control between the offices ineffective. The County Auditor and County Treasurer corrected the 2020 Fall Settlement by reducing each applicable taxing unit's 2021 Spring Property Tax Advance.

*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.

COUNTY AUDITOR  
ALLEN COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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. . . ."

Each column of the County Form No. 22, if applicable shall be completed to show the taxes distributed amounts advanced, the amount due the county for examination of records and the net distribution for which a warrant is to be issued. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 10)

It is important that the amounts distributed at each semiannual settlement agree with the amounts shown in the treasurer's daily balance of cash and depositories, since a settlement and distribution in excess of the amounts entered in this record will result in "cash short" on the day the settlement is made. Conversely, if the settlement and distribution is made for less than the amount shown in this record, it will result in "cash long" for that day. Therefore, every effort should be made before settlement and distribution to see that the amounts distributed for each taxing district agree with the amounts entered in the register of taxes collected and in the treasurer's daily balance of cash and depositories. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 3)

**FINANCIAL TRANSACTIONS AND REPORTING - FINANCIAL STATEMENTS**

*Condition and Context*

The County did not report taxes receivable and deferred inflows of resources in the fiduciary financial statements for property tax revenue levied in 2020 pay 2021 for the property taxes due to other governmental units. Property tax revenue is recognized in the fiscal period for which it was levied, and the assets (receivables) in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. In the State of Indiana, the enforceable legal claim date occurs in the year prior to the year for which the taxes are levied. Deferred inflows of resources should be reported when resources are received or reported as a receivable before the period for which property taxes are levied.

The County also did not report taxes receivable and additions in the fiduciary financial statements for Unified Local Income Taxes (LIT), which are derived tax revenues, due to other governmental units. LIT is imposed by the County but collected by the State of Indiana and there are no time requirements. A receivable should be recognized in the period when the exchange transaction on which the tax is imposed occurs or when an enforceable legal claim arises or when resources are received, whichever occurs first. Revenue (or additions in the fiduciary financial statements) is recognized in the same period the receivable is recognized.

The County also did not report taxes receivable and additions in the fiduciary financial statements for Excise Tax and Financial Institution Tax due to other governmental units. The State of Indiana shares a portion of its own derived tax revenues or imposed nonexchange revenue with other local governments. Because there is no time requirement for these revenues, the County should recognize the receivables and revenue (or additions in the fiduciary financial statements) for the entire amount expected to be received during the State's fiscal year.

COUNTY AUDITOR  
ALLEN COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

GASB Cod. § N50.113: "Governments should recognize assets from derived tax revenue transactions in the period when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. *Revenues* should be recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance should be reported as liabilities until the period of the exchange. Derived tax revenues generally do not have time requirements. However, if they apply, asset and revenue recognition should be consistent with the requirements for imposed nonexchange revenue transactions. [GASBS 33, ¶16, as amended by GASBS 65, ¶31; GASBS 33, fn8]"

GASB Cod. § N50.114: "Governments should recognize assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. For property (ad valorem) taxes, the date when an enforceable legal claim to taxable property arises generally is specified in the enabling legislation. Many governments refer to this date as the 'lien date,' even though a lien is not formally placed on the property at that date. Some governments, however, use a different term, such as the 'assessment date.' (For some governments, the enforceable legal claim does not arise until the period after the period for which the taxes are levied. Those governments should recognize property taxes receivable in the same period that revenues are recognized in accordance with paragraph .115.) [GASBS 33, ¶17]"

GASB Cod. § N50.121: "Sometimes a provider in a government-mandated or voluntary non-exchange transaction does not specify time requirements. When that is the case, the entire award should be recognized as a liability and an expense by the provider, and as a receivable and a revenue (net of estimated uncollectible amounts) by the recipients, in the period when all applicable eligibility requirements are met (applicable period). When the provider is a *government* (including the federal government), the applicable period for both the provider and the recipients is the *provider's* fiscal year and begins on the first day of that year (when, for example, the relevant appropriation becomes effective). The entire award should be recognized at that time. However, if a provider government has a biennial budgetary process, each year of the biennium should be considered a separate applicable period. In those circumstances, the provider and the recipients should allocate one-half of the resources appropriated for the biennium to each applicable period, unless the provider specifies a different allocation. [GASBS 33, ¶24]"

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  
ALLEN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 23, 2021, with Nicholas D. Jordan, County Auditor; Jackie Scheuman, Finance and Budget Director; Richard E. Beck, President of the Board of County Commissioners; Therese M. Brown, County Commissioner; Kyle A. Kerley, President of the County Council; and Thomas A. Harris, County Council member.

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COUNTY TREASURER  
ALLEN COUNTY

COUNTY TREASURER  
ALLEN COUNTY  
AUDIT RESULT AND COMMENT

**FINANCIAL TRANSACTIONS AND REPORTING - FALL SETTLEMENT**

*Condition and Context*

While completing the January 2021 monthly bank reconciliation, the County Treasurer's office discovered that the amount disbursed for the 2020 Fall Settlement was \$14,336,020 above the State approved Settlement worksheet, Form 105 amount. Upon inspection by the offices of the County Auditor and County Treasurer, it was discovered that the County Auditor incorrectly calculated the Fall Settlement disbursements by not removing the July advance on County Form No. 22, County Auditor's Certificate of Tax Distribution. The County Treasurer disbursed the Fall Settlement without verifying to internal supporting documents, such as the Treasurer's Cash Book, thus rendering the internal control between the offices ineffective. The County Auditor and County Treasurer corrected the 2020 Fall Settlement by reducing each applicable taxing unit's 2021 Spring Property Tax Advance.

*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. . . ."

Each column of the County Form No. 22, if applicable shall be completed to show the taxes distributed amounts advanced, the amount due the county for examination of records and the net distribution for which a warrant is to be issued. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 10)

It is important that the amounts distributed at each semiannual settlement agree with the amounts shown in the treasurer's daily balance of cash and depositories, since a settlement and distribution in excess of the amounts entered in this record will result in "cash short" on the day the settlement is made. Conversely, if the settlement and distribution is made for less than the amount shown in this record, it will result in "cash long" for that day. Therefore, every effort should be made before settlement and distribution to see that the amounts distributed for each taxing district agree with the amounts entered in the register of taxes collected and in the treasurer's daily balance of cash and depositories. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 3)

Allen County Treasurer  
Edwin J. Rousseau Centre  
1 East Main Street, Suite 104  
Fort Wayne, IN 46802-1888



260.449.7693 Office  
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Treasurer@co.allen.in.us  
AllenCountyTreasurer.us

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William Royce  
Allen County Treasurer

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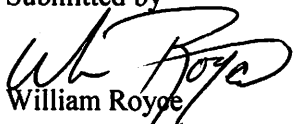
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November 17, 2021

I concur with the comment that the 2020 Fall Settlement had a disbursal that was above the State approved Settlement. The error was discovered by the Treasurer's office, reported to the County Auditor and was corrected by reducing the Spring Settlement of each applicable taxing unit.

To prevent such an occurrence from happening in the future the Treasurer and Auditor have instituted a process whereby the Auditor prepares the spreadsheet for distribution and submits it to the Treasurer for review before any moneys are disbursed. The Treasurer reviews the proposed disbursal to ensure the money is available and balances with the Treasurer's Cashbook. Upon completion of the review, the Treasurer notifies the Auditor that they may proceed with the disbursal. If an error were to be uncovered, that too would be reported and the disbursal halted until the error is corrected.

Submitted by



William Royce  
Allen County Treasurer

COUNTY TREASURER  
ALLEN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 17, 2021, with William F. Royce, County Treasurer.

The contents of this report were discussed on November 23, 2021, with Nicholas D. Jordan, County Auditor; Jackie Scheuman, Finance and Budget Director; Richard E. Beck, President of the Board of County Commissioners; Therese M. Brown, County Commissioner; Kyle A. Kerley, President of the County Council; and Thomas A. Harris, County Council member.

BOARD OF COUNTY COMMISSIONERS  
ALLEN COUNTY

BOARD OF COUNTY COMMISSIONERS  
ALLEN COUNTY  
AUDIT RESULT AND COMMENT

***TRAINING ON INTERNAL CONTROL STANDARDS***

The same comment also appeared in prior Reports B53338 and B55853.

*Condition and Context*

Newly hired County employees had not completed the required internal control standards training. The last reported completion of the training was in March 2017.

*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: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

BOARD OF COUNTY COMMISSIONERS  
ALLEN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 23, 2021, with Nicholas D. Jordan, County Auditor; Jackie Scheuman, Finance and Budget Director; Richard E. Beck, President of the Board of County Commissioners; Therese M. Brown, County Commissioner; Kyle A. Kerley, President of the County Council; and Thomas A. Harris, County Council member.

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COUNTY HIGHWAY  
ALLEN COUNTY

COUNTY HIGHWAY  
ALLEN COUNTY  
AUDIT RESULT AND COMMENT

**FINANCIAL TRANSACTIONS AND REPORTING - CONSTRUCTION IN PROGRESS**

*Condition and Context*

Construction in progress for governmental activities was understated by \$13,189,563, which represents 3.4 percent of total governmental activities capital assets, due to improper cutoff procedures related to the deletion of completed construction in progress projects. The County Highway department added all completed projects into the infrastructure listing in the correct accounting period but would delay the removal from the construction in progress until the following accounting 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:

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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 HIGHWAY  
ALLEN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 17, 2021, with William Hartman, Highway Director, and Lara Dorsett, Road Conversions.

The contents of this report were discussed on November 23, 2021, with Nicholas D. Jordan, County Auditor; Jackie Scheuman, Finance and Budget Director; Richard E. Beck, President of the Board of County Commissioners; Therese M. Brown, County Commissioner; Kyle A. Kerley, President of the County Council; and Thomas A. Harris, County Council member.