

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

ALLEN COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
12/14/2021

*Reissued March 30, 2022,
to correct the Schedule of
Findings and Questioned
Costs and related reports.*

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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



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 ALLEN 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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Allen County (County), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 23, 2021. The opinion on the discretely presented component unit was qualified because a discretely presented component unit was not properly included in the County's financial statements. The opinion on the aggregate remaining fund information was qualified because the County had not included several taxes receivables in the County's financial statements.

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.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001 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)

A significant deficiency is a deficiency, or a 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2020-003 to be significant deficiencies.

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 items 2020-001, 2020-002, and 2020-003.


This report is replacing a previously issued report dated December 14, 2021, due to a change in the Schedule of Findings and Questioned Costs, Section II Financial Statement Findings, Finding 2020-002. Information regarding taxes receivable for the Allen County Public Library was removed from the *Condition and Context* section.

Allen 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

November 23, 2021, except for Finding 2020-002,
for which the date is March 28, 2022



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 ALLEN COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited Allen 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, 2020. 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.

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)

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, 2020.

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.

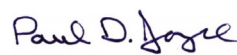
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

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 governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated November 23, 2021, which contained unmodified opinions on those financial statements except for the discretely presented component unit and the aggregate remaining fund information, for which the opinions were qualified. 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, CPA
State Examiner

November 23, 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 prepared by management of the County. The schedule and notes are presented as intended by the County.

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ALLEN COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2020

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 2020	\$ -	\$ 18,670
School Breakfast Program					
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553	FY 2020	-	10,500
FY 2020 School Breakfast Program					
Total - School Breakfast Program				-	29,170
National School Lunch Program	Indiana Department of Education	10.555			
National School Lunch Program			FY 2020	-	33,321
National School Lunch Program-Commodities			FY 2020	-	17,975
Sub-total - National School Lunch Program				-	51,296
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555	FY 2020	-	18,179
FY 2020 National School Lunch Program					
Total - National School Lunch Program				-	69,475
Total - Child Nutrition Cluster				-	98,645
Total - Department of Agriculture				-	98,645
<u>Department of Housing and Urban Development</u>					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii Stellar Project	Indiana Housing and Community Development Authority	14.228	HD-018-011	10,100	10,100
Total - Department of Housing and Urban Development				10,100	10,100
<u>Department of Justice</u>					
Edward Byrne Memorial Justice Assistance Grant Program	City of Fort Wayne	16.738			
FY 19 JAG Project Fort Wayne-Allen County			2019-DJ-BX-0281	-	13,090
Juvenile Justice and Delinquency Prevention	Indiana Criminal Justice Institute	16.540			
Check and Connect			TII-2019-00024	-	46,313
Check and Connect			TII-2020-00022	-	158,569
Total - Juvenile Justice and Delinquency Prevention				-	204,882
Crime Victim Assistance	Indiana Criminal Justice Institute	16.575			
Domestic Violence			VOCA-2018-00052	-	42,172
Domestic Violence			VOCA-2019-00034	-	178,444
Domestic Violence			VOCA-2020-00137	-	10,406
Total - Crime Victim Assistance				-	231,022

ALLEN COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2020

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
Violence Against Women Formula Grants Domestic Violence	Indiana Criminal Justice Institute	16.588	STOP-2019-00067	-	62,944
State Criminal Alien Assistance Program State Criminal Alien Assistance Program State Criminal Alien Assistance Program	Direct Grant	16.606	2019-H0540-IN-AP 2019-H2068-IN-AP	- -	7,162 12,647
Total - State Criminal Alien Assistance Program				-	19,809
Equitable Sharing Program Asset Seizure - Sheriff	Direct Grant	16.922	FY 2020	-	32,259
Total - Department of Justice				-	564,006
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction Right of Way Preliminary Engineering Preliminary Engineering NIRCC Preliminary Engineering NIRCC Preliminary Engineering Preliminary Engineering	Indiana Department of Transportation	20.205	DES 1401273 DES 1592872 DES 1702810 DES 1801295 DES 1802912 DES 2001063 DES 0400582 DES 1902749	- - - - - - - -	4,686 195,330 52,299 359,254 111,420 162,939 309,477 4,752
Total - Highway Planning and Construction				-	1,200,157
Total - Highway Planning and Construction Cluster				-	1,200,157
Highway Safety Cluster State and Community Highway Safety Traffic Enforcement Traffic Enforcement	City of Fort Wayne	20.600	CHIRP 2020-00107 CHIRP 2021 00043	- -	24,469 2,782
Total - State and Community Highway Safety				-	27,251
Total - Highway Safety Cluster				-	27,251
Total - Department of Transportation				-	1,227,408
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus Relief Fund Coronavirus Relief Fund Testing Site Grant	Indiana Finance Authority Indiana State Department of Health	21.019 21.019	FY 2020 PO 20006042	- -	12,585,461 94,671
Total Coronavirus Relief Fund				-	12,680,132
Total - Department of the Treasury				-	12,680,132

ALLEN COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2020

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>Environmental Protection Agency</u>					
Great Lakes Program	Direct Grant	66.469			
Maumee River Basin: Urban Pollution Management and Education Program			E02233	-	231,113
Total - Environmental Protection Agency				-	231,113
<u>Election Assistance Commission</u>					
COVID-19 - 2020 HAVA Election Security Grants	Indiana Secretary of State	90.404			
CARES Election Grant			IN20101CARES	-	80,131
Total - Election Assistance Commission				-	80,131
<u>Department of Health and Human Services</u>					
Immunization Cooperative Agreements Immunization	Indiana State Department of Health	93.268			
			PO 20002710	-	106,347
Child Support Enforcement Child Support Enforcement	Indiana Department of Child Services	93.563			
			FY 2020	-	2,778,021
Refugee and Entrant Assistance State/Replacement Designee Administered Programs Refugee Health Screens	Indiana State Department of Health	93.566			
			PO 20003604	-	2,151
State Court Improvement Program Superior Court-Family Relations	Indiana Supreme Court	93.586			
			Allen-CIP-2020BTD	-	500
HIV Care Formula Grants HIV/AIDS Program	Indiana State Department of Health	93.917			
			35-6000124-17	-	31,770
HIV Prevention Activities Health Department Based HIV/Substance Abuse Syringe Service Grant	Indiana State Department of Health	93.940			
			35-6000124-17	-	27,888
			35-6000124	-	70,816
Total - HIV Prevention Activities Health Department Based				-	98,704
Total - Department of Health and Human Services				-	3,017,493
<u>Department of Homeland Security</u>					
Emergency Management Performance Grants Homeland Security	Indiana Department of Homeland Security	97.042			
			EMC-2019-EP-00003-S01	-	99,326
Total - Department of Homeland Security				-	99,326
Total federal awards expended				<u>\$ 10,100</u>	<u>\$ 18,008,354</u>

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

ALLEN 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, 2020. 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 accrual 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.

ALLEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:

<u>Name of Opinion Unit</u>	<u>Opinion Issued</u>
Governmental activities	Unmodified
Business-type activities	Unmodified
Discretely presented component unit	Qualified
Each major fund	Unmodified
Aggregate remaining fund information	Qualified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	yes
Noncompliance material to financial statements noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
21.019	COVID-19 - Coronavirus Relief Fund	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2020-001

Subject: Financial Transactions and Reporting - Settlement - County Auditor and County Treasurer
Audit Findings: Material Weakness, Noncompliance

ALLEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

While completing the January 2021 monthly bank reconciliation, the County Treasurer's office discovered 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 verification to internal supporting documents, such as the Treasurer's Cash Book, thus rendering the internal controls 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)

Cause

Management of the County had not evaluated the effectiveness of the internal controls to ensure proper disbursement of the 2020 Fall Settlement.

ALLEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

Without a proper system of internal controls that operated effectively, the 2020 Fall Settlement was incorrectly disbursed in the amount of \$14,336,020, which was above the state approved Settlement worksheet, Form 105 amount.

Views of Responsible Officials

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

FINDING 2020-002

Subject: Financial Transactions and Reporting - Financial Statements - County Auditor
Audit Finding: Noncompliance

Condition and Context

Taxes Receivable - Fiduciary Financial Statements

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 are no time requirements 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.

ALLEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

Governmental Accounting Standards Board Codification (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 nonexchange 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]"

GASB Cod. § 1300.134: "For activities not addressed in paragraphs .129–.133 [*specific component units; component units that are pension and other postemployment benefit plans (OPEB); and other pension and OPEB arrangements*], the activity is a fiduciary activity if all of the following criteria are met:

- a. The assets associated with the activity are controlled by the government (as described in paragraph .135).
- b. The assets associated with the activity are not derived either:
 - (1) Solely from the government's own-source revenues (as described in paragraph .136) or
 - (2) From government-mandated nonexchange transactions or voluntary nonexchange transactions with the exception of pass-through grants for which the government does not have administrative involvement or direct financial involvement.

ALLEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- c. The assets associated with the activity have one or more of the following characteristics:
- (1) The assets are (a) administered through a trust in which the government itself is not a beneficiary, (b) dedicated to providing benefits to recipients in accordance with the benefit terms, and (c) legally protected from the creditors of the government.
 - (2) The assets are for the benefit of individuals and the government does not have administrative involvement with the assets or direct financial involvement with the assets. In addition, the assets are not derived from the government's provision of goods or services to those individuals.
 - (3) The assets are for the benefit of organizations or other governments that are not part of the financial reporting entity. In addition, the assets are not derived from the government's provision of goods or services to those organizations or other governments. [GASBS 84, ¶11]"

GASB Cod. § 1300.135: "A government controls the assets of an activity if the government (a) holds the assets or (b) has the ability to direct the use, 14 exchange, or employment of the assets 15 in a manner that provides benefits to the specified or intended recipients. Restrictions from legal or other external restraints that stipulate the assets can be used only for a specific purpose do not negate a government's control of the assets. [GASBS 84, ¶12]"

GASB Cod. § 1300.136: "Own-source revenues are revenues that are generated by a government itself. They include exchange and exchange-like revenues (for example, water and sewer charges) and investment earnings. Derived tax revenues (such as sales and income taxes) and imposed nonexchange revenues (such as property taxes) also are included. [GASBS 84, ¶13]"

GASB Cod. § 1600.100: "Financial statements of fiduciary funds should be reported using the economic resources measurement focus and the accrual basis of accounting."

GASB Cod. § 1600.102 states in part: "Under the *accrual* basis of accounting, most transactions are recognized when they occur, regardless of when cash is received or disbursed. [NCGAS 1, ¶59, as amended by GASBS 34, ¶6]"

GASB Cod. § 1600.138 states in part: "For other fiduciary activities, a liability to the beneficiaries of a fiduciary activity should be recognized in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. [GASBS 34, ¶107, as amended by, GASBS 67, ¶20, GASBS 73, ¶115 and ¶116, GASBS 74, ¶26, GASBS 84, ¶18 and ¶21, and GASBS 92, ¶8; GASBS 84, ¶22, as amended by GASBS 92, ¶9]"

Other local governmental units receiving property taxes, Unified Local Income Taxes (LIT), Excise Tax, and Financial Institution Tax do not need to take any actions to initiate their distribution from the County.

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)

ALLEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management of the County chose not to report taxes receivable in the fiduciary financial statements for property tax revenue levied in 2020 pay 2021, LIT, Excise Tax, and Financial Institution Tax.

Effect

The omission of reporting taxes receivable, liabilities, and deferred inflows of resources in the fiduciary financial statements was material for the aggregate remaining fund information of the County. A qualified opinion was issued for the aggregate remaining fund information of the County as of and for the year ended December 31, 2020.

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

Our responsibility is to express an opinion on the aggregate remaining fund information opinion unit of the County's financial statements.

Per Concepts Statement No. 4 of the Governmental Accounting Standards Board Elements of Financial Statements, assets are resources with present service capacity that the government presently controls. The power to tax is a distinguishing characteristic of government. The power to tax produces an asset for accounting and financial reporting purposes only when the power to tax is exercised and an enforceable tax levy or a taxable transaction has occurred, as applicable, resulting in a resource with present service capacity—taxes receivable.

Many assets, such as investments of a trust or capital assets purchased with grant proceeds, are subject to legal or other external constraints. These assets can be used only as described in the trust agreement or to support the grant program, respectively. Such restrictions on use of an asset should not be considered to negate a government's control of the present service capacity of the asset.

FINDING 2020-003

Subject: Financial Transactions and Reporting - County Highway
Audit Findings: Significant Deficiency, Noncompliance

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.

ALLEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. . . ."

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)

Cause

Management of the County did not ensure that completed projects were taken out of construction in progress when they were added to the infrastructure listing.

Effect

The failure to establish a system of internal controls enabled misstatements or irregularities to remain undetected in the governmental activities capital assets.

Views of Responsible Officials

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

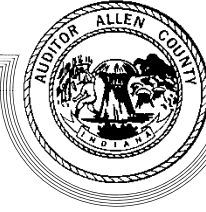
Section III - Federal Award Findings and Questioned Costs

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.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-001 Presentation of the Schedule of Expenditures of Federal Awards

Fiscal year in which the finding initially occurred: 2019

Status of Audit Finding:

Audit Finding 2019-001 has been corrected to the best of our knowledge.

The aspect regarding the Community Crossings grant was simply a matter of incorrect assumption and a relatively simple fix now that we know they are not Federal monies.

The gap in information regarding National School lunch program snack expenditures and commodities has been bridged as we now check online instead of solely relying on department to provide the information. This should eliminate the oversights going forward.

The omission of the Juvenile Justice and Delinquency Prevention grant has been added to our list of items to track which will prevent the oversight.

All the above were completed and corrected for 2020 and forward.

Nick Jordan
Allen County Auditor
7/7/2021



CORRECTIVE ACTION PLAN

FINDING 2020-001 Settlement-County Auditor and County Treasurer

Contact Person Responsible for Corrective Action: Nick Jordan, Allen County Auditor
Contact Phone Number:260-449-7241

Views of Responsible Official:

I agree with the finding by State Board of Accounts (SBOA). When processing the 2020 December property tax settlement, I failed to remove the 2020 July property tax advance that was previously distributed. This resulted in the 2020 December property tax settlement distributions being overstated. Therefore, we ended up distributing more than was collected for 2020 and had to recoup the difference in the 2021 May property tax advance. My failure to remove the advance coupled with the fact that the Allen County Treasurer did not reconcile the distribution until after the fact allowed this error to occur.

Description of Corrective Action Plan:

The treasurer and I, along with employees involved in the process met in January 2021 to discuss what had happened and identify the shortcomings in controls. We immediately put in to place new measures to prevent the error from occurring again. These measures include, but not limited to the Treasurer office reviewing the detailed distribution and quietus worksheets in advance to confirm the specific monies being distributed have been received.

Anticipated Completion Date:

Implemented immediately in January 2021. Every distribution I have compiled since has ran through this process without issue.

FINDING 2020-002 Fiduciary Financial Statements

Contact Person Responsible for Corrective Action: Nick Jordan, Allen County Auditor
Contact Phone Number:260-449-7241

Views of Responsible Official:

I do not agree with the finding by the SBOA. As communicated to SBOA during the audit, I do not believe all of the criteria of GASB 84 is met to determine the County has fiduciary duty over taxes receivable. More specifically I do not believe the taxes receivable associated with the activity are controlled by the County. The County doesn't hold or have the ability to direct the use, exchange, or employment of the assets, in a manner that provides benefits to the specified or intended recipients. From a fiduciary standpoint, the County does not have custody as the taxes are receivable.

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The County does include those assets we are holding in custody in the Fiduciary statements.

Description of Corrective Action Plan:

The County will continue to monitor GASB guidance and revisit the issue if necessary. Given the fact that we are not holding the assets and don't control them, the Allen County financial statements are not misleading as presented.

Anticipated Completion Date:

Upon further guidance being produced by GASB the County will review and proceed accordingly.

Nick Jordan
Allen County Auditor
11/19/2021

Allen County Highway Department

200 E. Berry Street, Suite 280

Fort Wayne, IN 46802

260-449-7369

Fax: 260-449-7594

North Division: 2234 Carroll Rd Fort Wayne, IN 46818 260-449-4781 Fax: 260-449-4786

South Division: 8317 E. Tillman Rd Fort Wayne, IN 46816 260-449-4791 Fax: 260-449-4793

CORRECTIVE ACTION PLAN

FINDING 2020-003

Contact Person Responsible for Corrective Action: Lara Dorsett, Right of Way/Communications Manager

Contact Phone Number: 260-449-3647

Views of Responsible Official:

We concur with the finding from State Board of Accounts that the Construction in Progress for governmental activities was understated by \$13,189,563, which represents 3.4% of the total governmental activities' capital assets, due to improper cutoff procedures related to the deletion of the completed construction in progress. 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.

Description of Corrective Action Plan:

I was told by the State Board of Accounts a few years back to keep my completed projects in the CIP, so that the State Board of Accounts could compare the completed projects on the CIP with the GASB report. Going forward into the 2021 report, I will make sure the completed projects on the CIP will be removed from the list when they are being reported on GASB report.

Anticipated Completion Date: This will be completed in the 2021 CIP and ongoing for future reports.

Lara Dorsett
Allen County Highway Department
11/18/2021

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/>.