

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF ELKHART

ELKHART COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED

03/01/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Carlos J. Arce	01-01-20 to 12-31-22
Mayor	Rod Roberson	01-01-20 to 12-31-22
President of the Board of Public Works	Michael C. Machlan	01-01-20 to 12-31-22
President of the Common Council	H. Brent Curry Arvis Dawson	01-01-20 to 12-31-21 01-01-22 to 12-31-22
Clerk of the Circuit Court	Debra Barrett	01-01-20 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF ELKHART, ELKHART COUNTY, INDIANA

This report is supplemental to our audit report of the City of Elkhart (City), 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 City. It should be read in conjunction with our Financial Statement Audit Report of the City, which provides our opinions on the City's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Result and Comment contained herein describes the identified reportable instance of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

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

Beth Kelley, CPA, CFE
Deputy State Examiner

February 16, 2022

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CITY CONTROLLER
CITY OF ELKHART

CITY CONTROLLER
CITY OF ELKHART
AUDIT RESULT AND COMMENT

BANK ACCOUNT RECONCILIATIONS

A similar comment appeared in a Management Letter addressed to the Officials for the audit period ending December 31, 2019.

Condition and Context

There were deficiencies in the internal control system of the City related to bank account reconciliations. The City had not properly designed and implemented a system of internal controls over bank account reconciliations.

While the City Controller's month-end bank reconciliations were approved by the appropriate officials, the review was inadequate to ensure that the combined bank balance agreed to the combined fund balance. Immaterial variances, which fluctuated from month to month, were noted on each monthly-reviewed bank reconciliation.

The lack of adequate internal controls and noncompliance were systemic issues, which occurred throughout the audit 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:

"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. . . ."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

CITY CONTROLLER
CITY OF ELKHART
EXIT CONFERENCE

The contents of this report were discussed on February 16, 2022, with Carlos J. Arce, City Controller; Rod Roberson, Mayor; Arvis Dawson, President of the Common Council; Erin Koons, Deputy City Controller; Bradley Tracy, Chief of Staff; Dwight Fish, Common Council member; and Nicolette Kershner, Utility Accountant.