

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

COMPLIANCE REPORT
OF

ELKHART COUNTY SOLID WASTE MANAGEMENT DISTRICT
ELKHART COUNTY, INDIANA
January 1, 2020 to December 31, 2020

(FINAL AUDIT)



FILED
03/30/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	John Bowers	01-01-20 to 12-31-20
Treasurer	John Bowers	01-01-20 to 12-31-20
Chair of the District Board	Frank Lucchese	01-01-20 to 12-31-20



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AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE ELKHART COUNTY SOLID WASTE
MANAGEMENT DISTRICT, ELKHART COUNTY, INDIANA

The Elkhart County Solid Waste Management District (District) is considered a component unit of Elkhart County (County) under accounting principles generally accepted in the United States of America. The District's financial information was audited as part of the County's financial statements for the period from January 1, 2020 to December 31, 2020. The Financial Statements Audit Report of the County, which provides our opinions on the County's financial statements and which includes the District's financial information, 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 Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures for the District. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

The District's Annual Financial Report information can be found on the Indiana Gateway for Government Units financial reporting system website: <https://gateway.ifionline.org> and has not been subjected to any audit procedures.

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

Beth Kelley, CPA, CFE
Deputy State Examiner

March 17, 2022

ELKHART COUNTY SOLID WASTE MANAGEMENT DISTRICT
AUDIT RESULTS AND COMMENTS

ADOPTION OF INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Reports B53755 and B56175.

Condition and Context

The District had not adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts.

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:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision . . . "

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Reports B53755 and B56175.

Condition and Context

The District certified on the 2020 Annual Financial Report that it had adopted the minimum internal control standards as required by Indiana Code 5-11-1-27(e); however, there was no documentation to support those certifications.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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](#)."

INTERNAL CONTROLS

A similar comment also appeared in prior Report B56175, entitled *INTERNAL CONTROLS*.

Condition and Context

Internal control activities should be selected and developed at various levels to reduce risks of error and/or fraud of the financial statements. The District had not separated incompatible activities related to accounts receivable, accounts payable, revenues, and expenses of the financial statements. The failure to establish these internal controls could have enabled material misstatements to remain undetected.

ELKHART COUNTY SOLID WASTE MANAGEMENT DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

Accounts Receivable and Accounts Payable

Accounts receivable and accounts payable reports were compiled by one employee before being sent to the financial consultant for reporting purposes. There was no documented review over these reports prior to submission.

Revenues and Expenses

Receipts and claims were posted into the ledger by one employee without a documented review process to ensure proper posting.

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. . . ."

PUBLIC RECORD RETENTION

Condition and Context

When the District was dissolved on December 31, 2020, supporting documentation for revenue and expenses during the audit period was not retained.

Criteria

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

ELKHART COUNTY SOLID WASTE MANAGEMENT DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on March 17, 2022, with John Bowers, Director, and Frank Lucchese, County Commissioner and Chair of the District Board.