

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ELKHART COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED

04/07/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Patricia A. Pickens	01-01-20 to 12-31-22
County Treasurer	Tina M. Bontrager	01-01-20 to 12-31-22
Clerk of the Courts	Christopher J. Anderson	01-01-20 to 12-31-22
County Sheriff	Jeffery A. Siegel	01-01-20 to 12-31-22
Recorder	Jennifer L. Doriot	01-01-20 to 12-31-22
President of the Board of County Commissioners	Mike L. Yoder Suzanne M. Weirick	01-01-20 to 12-31-20 01-01-21 to 12-31-22
President of the County Council	John K. Letherman Thomas W. Stump	01-01-20 to 12-31-20 01-01-21 to 01-01-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF ELKHART COUNTY, INDIANA

This report is supplemental to our audit report of Elkhart 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/.

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.

Beth Kelley, CPA, CFE
Deputy State Examiner

March 21, 2022

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COUNTY AUDITOR
ELKHART COUNTY

COUNTY AUDITOR
ELKHART COUNTY
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B56177.

Condition and Context

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

Loan Receivables and Advances to and from Other Funds

The County Auditor's office tracked loan receivables and advances to and from other funds through a Microsoft Excel spreadsheet. There was no documented oversight, review, or approval process to ensure the reported loan receivables and advances to and from other funds were accurate prior to compilation of the financial statements. Advances to other funds for the Landfill enterprise fund were understated by \$1,462,521, and advances from other funds for the Cumulative Voting System capital projects fund were understated by \$1,462,521. Adjustments were proposed, approved by management, and made to the financial statements presented in the Annual Financial Report.

Bonds Payable

A master debt schedule was maintained in the County Auditor's office; however, there was no documented oversight, review, or approval process to ensure that the reported bonds payable was accurate prior to compilation of the financial statements.

Total OPEB Liability

The County contracted with an actuary to calculate the total OPEB liability. Census data provided to the actuary did not have a documented oversight, review, or approval process to ensure that the census data was accurate prior to submission.

Custodial Funds - Additions and Deductions

Custodial funds accrual adjustments to reverse 2019 accounts payable activity were incorrectly performed. As a result, the custodial funds additions and deductions amounts were overstated by \$27,993,271 on the Statement of Changes in Fiduciary Net Position - Fiduciary Funds. Adjustments were proposed, approved by management, and made to the financial statements presented in the Annual Financial Report.

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:

COUNTY AUDITOR
ELKHART COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

"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 County Auditors of Indiana, Chapter 1)

ANNUAL FINANCIAL REPORT

Condition and Context

The Annual Financial Report (AFR) submitted into the Indiana Gateway for Government Units financial reporting system reported fund activity twice for three funds. As a result, the AFR was overstated by the following amounts.

<u>Fund Number</u>	<u>Fund Name</u>	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
1194	Solid Waste Disposal Fees	\$ 11,134,830	\$ 8,556,551	\$ 7,295,986	\$ 12,395,395
4915	Solid Waste Capital Reserve	3,432,442	-	-	3,432,442
1197	Storm Water Mgmt Operating	5,510,053	2,785,735	2,990,583	5,305,205

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](#)."

COUNTY AUDITOR
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AUDIT RESULTS AND COMMENTS
(Continued)

ACCOUNTING FOR CORONAVIRUS RELIEF FUNDS

Condition and Context

The County did not properly account for the Coronavirus Relief Fund (CRF) in accordance with the State Examiner Directive 2020-3 (the Directive).

The County receipted reimbursements for allowable public health and safety payroll costs from the Indiana Finance Authority (IFA) in fund 8902 (Covid-19 Cares CRF). Upon receipt of the reimbursements from the IFA, the County moved the public health and safety payroll costs originally incurred in the general fund to fund 8902. However, the County incurred additional public health and safety payroll costs within fund 8902 that were funded through the IFA's Safety Awareness Coronavirus Relief Fund Program. These costs were not fully reimbursed by the IFA, and at year end, created a cash deficit in fund 8902 of \$1,595. The same negative balance remained in the fund as of the report date.

Criteria

Transactions for other permitted costs reimbursed by IFA must be accounted for through one of the following prescribed frameworks. . . .

Framework Three. If you have created a negative balance in your CARES fund based on expenditures made in anticipation of receipt of reimbursement for allowable expenditures where invoices have already been submitted to IFA then leave as is and receipt reimbursement when received, bringing the balance in the separate CARES grant fund to zero. Going forward, expend any anticipated allowable expenditures from a fund with an appropriation and follow framework one. If a negative balance in the CARES grant fund is not fully reimbursed, then the unreimbursed amount will require a reverse entry and posting of the expenditure to the general or other appropriate fund within an appropriated line item.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund.** . . . (State Examiner Directive 2020-3)

COUNTY AUDITOR
ELKHART COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 21, 2022, with Patricia A. Pickens, County Auditor; Brad Rogers, County Commissioner; Thomas W. Stump, President of County Council; David L. Hess, County Council member; Douglas S. Graham, County Council member; Tiara Jackson, Deputy County Auditor; and Dan Hedden, Baker Tilly US, LLP, Partner.