

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

ALLEN COUNTY, INDIANA

January 1, 2021 to December 31, 2021



**FILED**  
12/29/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Nicholas D. Jordan	01-01-21 to 12-31-22
County Treasurer	William F. Royce	01-01-21 to 12-31-22
Clerk of the Circuit Court	Christopher M. Nancarrow	01-01-21 to 12-31-22
County Sheriff	David J. Gladioux	01-01-21 to 12-31-22
County Recorder	Anita A. Mather	01-01-21 to 12-31-22
County Highway Director	William Hartman	01-01-21 to 12-31-22
President of the Board of County Commissioners	Richard E. Beck F. Nelson Peters	01-01-21 to 12-31-21 01-01-22 to 12-31-22
President of the County Council	Kyle A. Kerley	01-01-21 to 12-31-22



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, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 19, 2022. The opinion on the discretely presented component unit was qualified because the discretely presented component unit was not properly included in the County's financial statements. Our audit report includes a reference to other auditors who audited the financial statements of the Allen County Public Library, as described in our report on the Library's financial statements.

***Report on 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) as a basis for designing 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.

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. A significant deficiency is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001, that we consider 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)

***Report on 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 item 2021-001.

***Allen County's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the County's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. 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.



Beth Kelley, CPA, CFE  
Deputy State Examiner

December 19, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH 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 Each Major Federal Program**

***Opinion on Each 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 each of its major federal programs for the year ended December 31, 2021. The County's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs.

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 each of its major federal programs for the year ended December 31, 2021.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

**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, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 19, 2022, which contained unmodified opinions on those financial statements except for the discretely presented component unit for which the opinion was qualified. Our audit was performed 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.



Beth Kelley, CPA, CFE  
Deputy State Examiner

December 19, 2022

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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, 2021

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listing Number	Pass-Through Entity (or Other) Identifying Number	Pass-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 2021	\$ -	\$ 29,934
School Breakfast Program					
National School Lunch Program	Indiana Department of Education	10.555	FY 2021	-	59,383
National School Lunch Program			FY 2021	-	26,735
National School Lunch Program-Commodities				-	-
Sub-total - National School Lunch Program				-	86,118
COVID-19 National School Lunch Program	Indiana Department of Education	10.555	FY 2021	-	10,475
National School Lunch Program - Emergency Funds				-	-
Total - National School Lunch Program				-	96,593
Total - Child Nutrition Cluster				-	126,527
Total - Department of Agriculture				-	126,527
<u>Department of Housing and Urban Development</u>					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	Indiana Housing and Community Development Authority	14.228			
OCRA Covid Relief			B-20-DW-18-0001	143,230	143,230
Total - Department of Housing and Urban Development				143,230	143,230
<u>Department of Justice</u>					
Juvenile Justice and Delinquency Prevention	Indiana Criminal Justice Institute	16.540			
Check and Connect - SOI 2020 Title II Activities			2020-JX-FX-0046	-	100,867
Crime Victim Assistance	Indiana Criminal Justice Institute	16.575			
Domestic Violence			VOCA-2020-00037	-	202,081
Domestic Violence			VOCA-2020-00137	-	22,941
Total - Crime Victim Assistance				-	225,022
Violence Against Women Formula Grants	Indiana Criminal Justice Institute	16.588			
Domestic Violence			STOP-2020-0003	-	53,953
Edward Byrne Memorial Justice Assistance Grant Program	City of Fort Wayne	16.738			
FY 20 JAG Project Fort Wayne-Allen County			2020-DJ-BX-0964	-	1,038
Equitable Sharing Program	Direct Grant	16.922			
Asset Seizure-Sheriff			FY 2021	-	55,220
Total - Department of Justice				-	436,100

ALLEN COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2021

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listing Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient	Total Federal Awards Expended
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
Construction Engineering			DES 1401272	-	354,114
Right of Way			DES 1401273	-	107,076
Preliminary Engineering			DES 1592872	-	43,605
Preliminary Engineering			DES 1702810	-	29,478
Preliminary Engineering			DES 1802912	-	62,751
Preliminary Engineering			DES 1902823	-	49,682
Preliminary Engineering			DES 1902825	-	23,995
NIRCC			DES 2001063	-	696,185
Preliminary Engineering			DES 2003073	-	18,843
Preliminary Engineering			DES 1902749	-	93,802
Total - Highway Planning and Construction				-	1,479,531
Total - Highway Planning and Construction Cluster				-	1,479,531
Highway Safety Cluster					
State and Community Highway Safety Traffic Enforcement	City of Fort Wayne	20.600			
			CHIRP 2021 00043	-	15,642
Total - Highway Safety Cluster				-	15,642
Total - Department of Transportation				-	1,495,173
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus Relief Fund Testing Site Grant	Indiana State Department of Health	21.019			
			PO 20006042	-	305,329
Total - Department of the Treasury				-	305,329
<u>U.S. Small Business Administration</u>					
COVID-19 - Shuttered Venue Operators Grant Program S.V.O.G.	Direct Grant	59.075			
			SBAHQ21SV007773	-	2,901,723
Total - U.S. Small Business Administration				-	2,901,723
<u>Environmental Protection Agency</u>					
Great Lakes Program	Direct Grant	66.469			
			E02233	-	4,118
Total - Environmental Protection Agency				-	4,118

ALLEN COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended December 31, 2021

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listing Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient	Total Federal Awards Expended
<u>Department of Health and Human Services</u>					
COVID-19 - Immunization Cooperative Agreements	Indiana State Department of Health	93.268			
Immunization and Vaccines for Children			PO 20007939	-	53,935
Immunization and Vaccines for Children & ELC Enhancing Detection			PO 20006042	-	40,536
State Check Up Plan			PO 20002710	-	72,666
Immunizations and Vaccines for Children Program			PO 20007890	-	61,391
Total - COVID-19 - Immunization Cooperative Agreements				-	228,528
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Indiana State Department of Health	93.323			
ELC Enhancing Detection			PO 20006042	-	80,424
Epidemiology and Laboratory Capacity for Infectious Diseases			PO 20009148	-	24,865
Total - COVID-19 - Epidemiology and Laboratory Capacity for Infections Diseases (ELC)				-	105,289
Child Support Enforcement	Indiana Department of Child Services	93.563			
Child Support Enforcement			FY 2021	-	3,215,963
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	Indiana State Department of Health	93.566			
Refugee Health Screens			PO 20003604	-	3,467
State Court Improvement Program	Indiana Supreme Court	93.586			
Superior Court-Family Relations			Allen-CIP-2020BTD	-	11,187
HIV Prevention Activities Health Department Based Syringe Service Grant	Indiana State Department of Health	93.940			
			PO 20007210	-	64,784
Total - Department of Health and Human Services				-	3,629,218
<u>Department of Homeland Security</u>					
Emergency Management Performance Grants	Indiana Department of Homeland Security	97.042			
Homeland Security			EMC-2020-EP-00001-S01	-	75,000
Total - Department of Homeland Security				-	75,000
Total federal awards expended				\$ 143,230	\$ 9,116,418

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, 2021. 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 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:

Name of Opinion Unit	Opinion Issued
Governmental activities	Unmodified
Business-type activities	Unmodified
Discretely presented component units	Qualified
Each major fund	Unmodified
Aggregate remaining fund information	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	yes

Federal Awards:

Internal control over major programs:	
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 Programs and type of auditor's report issued on compliance for each:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
59.075	Highway Planning and Construction Cluster Shuttered Venue Operators Grant Program	Unmodified Unmodified

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

Auditee qualified as low-risk auditee? no

ALLEN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Section II - Financial Statement Findings**

**FINDING 2021-001**

Subject: Financial Transactions and Reporting - Capital Assets - Infrastructure  
Audit Findings: Material Weakness, Noncompliance

*Condition and Context*

An effective internal control system was not in place at the County to prevent, or detect and correct, material misstatements in the recording and reporting of roads, right of ways, and construction in progress - additions.

The County Highway Department (Department) maintained a capital asset detailed listing (listing) for infrastructure. For calendar year-end 2021, the Department updated its listing of roads to reflect the total road mileage owned by the County according to the Geographic Information System (GIS) database. When compared with the GIS database, miscellaneous residential and nonresidential roads previously recognized were determined to be double reported. As a result, a prior period adjustment was needed to reflect the updated listing.

However, when the Department updated its listing, they revalued roads to reflect replacement cost instead of historical cost. Capital assets are required to be recorded at historical cost according to the County's capital asset policy and *Generally Accepted Accounting Principles*. Therefore, the prior period adjustment presented in the County's financial statements and notes to the financial statements for infrastructure costs and accumulated depreciation was overstated by \$387,820,098 and \$381,086,373, respectively.

Additionally, road addition and deletion errors were discovered through testing, which resulted in understatements of \$3,426,177 and \$1,743,210, respectively. Road depreciation and accumulated depreciation errors were also discovered through testing, which resulted in an overstatement of \$274,649 and an understatement of \$1,874,654, respectively. Audit adjustments were proposed, accepted by the County, and made to the financial statements and notes to the financial statements.

The County's financial statements and notes to the financial statements also reflected an unnecessary prior period adjustment for right-of-ways due to a calculation error. The prior period adjustment presented in the County's financial statements and notes to the financial statements for right-of-ways was overstated by \$66,688,231. Right-of-way additions and deletions were also incorrectly calculated, which resulted in an understatement of \$583,817 and overstatement of \$1,061,55, respectively. Audit adjustments were proposed, accepted by the County, and made to the financial statements and notes to the financial statements.

Lastly, errors of understated costs from construction in progress additions were noted and projected to the population; however, these were not material to the governmental activities opinion unit; therefore, no adjustment was made.

*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:

ALLEN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(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. . . ."

All assets shall be recorded at historical cost or estimated historical costs according to Generally Accepted Accounting Principles. (Allen County Capital Asset Policy, Revised 2/3/11)

Governmental Accounting Standards Board Codification (GASB Cod.) § 1400.102:

"Capital assets should be reported at historical cost. The cost of a capital asset should include ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition—such as freight and transportation charges, site preparation costs, and professional fees. Interest cost incurred before the end of a construction period should not be capitalized as part of the asset's historical cost. Donated capital assets should be reported at their acquisition value plus ancillary charges, if any. [GASBS 34, ¶18, as amended by GASBS 72, ¶79 and GASBS 89, ¶4; GASBS 72, ¶68; GASBS 89, ¶4]"

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 had not established a proper system of internal controls that segregated key functions and would have ensured proper reporting of infrastructure.

*Effect*

The failure to establish and properly implement internal controls enabled material misstatements or irregularities to remain undetected. The financial statement contained the errors identified in the *Condition and Context*.

*Views of Responsible Officials*

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

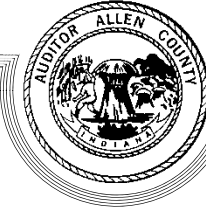
**Section III - Federal Award Findings and Questioned Costs**

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 2020-001 Settlement-County Auditor and County Treasurer***

Fiscal year in which the finding initially occurred: 2020

Status of Audit Finding:

Audit Finding 2020-001 has been corrected to the best of our knowledge.

The County Treasurer and I, along with employees involved met in January 2021 to implement new controls and procedures to ensure that reconciliation between Auditor distribution amounts and Treasurer cashbook figures occur before the distributions are processed. These include but are not limited to the Treasurer office reviewing the Auditor detailed distribution and quietus worksheets in advance to confirm the actual monies have been received and are available to distribute.

***FINDING 2020-002 Taxes Receivable - Fiduciary Financial Statements***

Fiscal year in which the finding initially occurred: 2021

Status of Audit Finding:

Audit Finding 2020-002 has been corrected to the best of our knowledge.

After further review and discussion, we implemented the tax receivables/deferrals recommended by the SBOA in accordance with GASB for year-end 12/31/2021.

All the above were completed and corrected for 2021 and forward.

Nick Jordan  
Allen County Auditor  
8/15/2022



# Allen County Highway Department

200 East Berry Street, Suite 280  
Fort Wayne, Indiana 46802  
260-449-7369

North Division: 2234 Carroll Rd Fort Wayne, IN 46818 260-449-4781  
South Division: 8317 E. Tillman Rd Fort Wayne, IN 46816 260-449-4791

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2020-003** (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred:2020

#### Status of Audit Finding:

1. 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.

2. This was corrected in the CIP report for 2021. The projects that were complete were removed from the CIP report and report on the GASB 34 report. I think this is no longer valid.

Lara Dorsett  
Allen County Highway Department  
8/23/2022



# Allen County Highway Department

200 East Berry Street, Suite 280  
Fort Wayne, Indiana 46802  
260-449-7369

North Division: 2234 Carroll Rd Fort Wayne, IN 46818 260-449-4781  
South Division: 8317 E. Tillman Rd Fort Wayne, IN 46816 260-449-4791

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## CORRECTIVE ACTION PLAN

### ***FINDING 2021-001***

Contact Person Responsible for Corrective Action: Lara Dorsett, Right of Way/Communication Manager  
Contact Phone Number: 260-449-3647

#### Views of Responsible Official:

We concur with the findings from State Board of Accounts for an effective internal control system was not in place at the County to prevent or detect and correct material misstatements in the recording and reporting of roads, right of ways and construction in progress  
- additions.

The County Highway Department (Department) maintained a capital asset detail listing (listing) for infrastructure. For calendar year-end 2021, the Department updated their listing of roads to reflect the total road mileage owned by the County according to the Geographic Information System (GIS) database. When compared with the GIS database, miscellaneous residential and non-residential roads previously recognized were determined to be double reported. As a result, a prior period adjustment was needed to reflect the updated listing.

However, when the Department updated their listing, they revalued roads to reflect replacement cost instead of historical cost. Capital assets are required to be recorded at historical cost according to the County's capital asset policy and Generally Accepted Accounting Principles. Therefore, the prior period adjustment presented in the County's financial statements and notes to the financial statements for infrastructure costs and accumulated depreciation was overstated by \$387,820,098 and \$381,086,373; respectively.

Additionally, road addition and deletion errors were discovered through testing which resulted in understatements of \$3,426,177 and \$1,743,210; respectively. Road depreciation and accumulated depreciation errors were also discovered through testing which resulted in an overstatement of \$274,649 and an understatement of \$1,874,654; respectively. Audit adjustments were proposed, accepted by the County, and made to the financial statements and notes to the financial statements.

The County's financial statements and notes to the financial statements also reflected an unnecessary prior period adjustment for right-of-ways due to a calculation error. The prior period adjustment presented in the County's financial statements and notes to the financial statements for right of ways was overstated by \$66,688,231. Right of way additions and deletions were also incorrectly calculated which resulted in an understatement of \$583,817 and overstatement of \$1,061,558; respectively. Audit adjustments were proposed, accepted by the County, and made to the financial statements and notes to the financial statements.

Lastly, errors of understated costs from construction in progress additions were noted and projected to the population; however, these were not material to the governmental activities opinion unit, therefore no adjustment was made.

Description of Corrective Action Plan:

The Highway Department has been asking for years to be able to change the roads in the GASB report; they were originally taken from maps, now we use the measurements from GIS. We have been asked to make sure that our roadways match with State Mileage Certifications. We have complied with everything that has been asked of us from both the State Board of Accounts or the Auditors office.

For the right of way for a calculation error, there was an error in the formula, I went back and corrected the error, so that the formula is working correctly.

Anticipated Completion Date: The roadways and the right of way corrections have already been done in 2021 and will be ongoing for all future GASB reports.

Lara Dorsett  
Allen County Highway Department  
12/15/2022

## 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/>.