

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ALLEN COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED
11/28/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Nicholas D. Jordan	01-01-22 to 12-31-23
County Treasurer	William F. Royce	01-01-22 to 12-31-23
Clerk of the Circuit Court	Christopher M. Nancarrow	01-01-22 to 12-31-23
County Sheriff	David J. Gladioux Troy R. Hershberger	01-01-22 to 12-31-22 01-01-23 to 12-31-23
County Recorder	Anita A. Mather Nicole L. Keesling	01-01-22 to 12-31-22 01-01-23 to 12-31-23
President of the Board of County Commissioners	F. Nelson Peters Therese M. Brown	01-01-22 to 12-31-22 01-01-23 to 12-31-23
President of the County Council	Kyle A. Kerley Thomas A. Harris	01-01-22 to 12-31-22 01-01-23 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF ALLEN COUNTY, INDIANA

This report is supplemental to the audit report of Allen County (County), for the period from January 1, 2022 to December 31, 2022. 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 the 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

October 30, 2023

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COUNTY AUDITOR
ALLEN COUNTY

COUNTY AUDITOR
ALLEN COUNTY
AUDIT RESULTS AND COMMENTS

LIT RECEIVABLE

Condition and Context

The Unified Local Income Taxes (LIT) are derived tax revenues, with no time requirements, imposed by a county and collected by the State of Indiana. The LIT revenues collected by the state are deposited into a county's LIT trust account. The Indiana State Budget Agency (SBA) is required by Indiana Code to determine whether the County's trust account balance exceeds 15 percent of the certified distributions to be made in the determination year. To make the determination, the SBA must use the trust account balance as of December 31 of the year that precedes the determination year by two years. If the trust account balance is determined to be in excess of the 15 percent, a supplemental distribution is made from the County's trust account to the appropriate LIT recipients of that county.

The SBA determined in 2023 that a supplemental distribution was to be made from the County's trust account. This determination was made by the SBA by using the County's trust account balance as of December 31, 2021. The LIT receivable recognized on the County's financial statements for the year ended December 31, 2022, was estimated using the trust account balance as of December 31, 2022. The County should have used the balance of the year preceding the determination year by two years, which was December 31, 2021. The trust account balance as of December 31, 2022, was significantly higher than the trust account balance as of December 31, 2021, resulting in the LIT receivable of the Local Income Tax - Economic Development opinion unit being materially overstated by \$5,443,257.

Criteria

Indiana Code 6-3.6-9-15(a) states:

"If the budget agency determines that the balance in a county trust account exceeds fifteen percent (15%) of the certified distributions to be made to the county in the determination year, the budget agency shall make a supplemental distribution to the county from the county's trust account. The budget agency shall use the trust account balance as of December 31 of the year that precedes the determination year by two (2) years (referred to as the 'trust account balance year' in this section)."

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.

COUNTY AUDITOR
ALLEN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

The same comment also appeared in prior Reports B55853, B57997, and B60560.

Condition and Context

The County did not use the appropriate fund numbers when implementing the new MVH Restricted Fund. The MVH Fund (County Highway) and the new MVH Restricted Funds were not shown separately on the Annual Financial Report.

Criteria

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shown as follows:

Counties

Fund 1176	MVH
Fund 1173	MVH Restricted . . .

Together, MVH and MVH Restricted shall constitute the total MVH Fund. MVH and MVH Restricted will be shown separately on the Annual Financial Report and Annual Operational Report.

(State Examiner Directive 2018-2)



Date: November 3, 2023

Indiana State Board of Accounts
302 W Washington St Rm E418
Indianapolis, IN 46204-2765

Re: LIT Receivable

We believe that the LIT Economic Development receivable of \$24,150,206 included within the financial statements is reasonable.

To start, no disagreement on what the law requires for the supplemental LIT distributions. That doesn't necessarily equate to that being the sole methodology for estimating a receivable. Using the best information available we have no reason to believe that the approximate \$5.4 mil will be uncollectible or is materially misstated.

We took into account the State Budget Agency(SBA) Trust Balance report dated 2/7/23, the Dept of Workforce Development monthly employed figures, and the Dept of Revenue(DOR) 1st & 2nd 2023 quarterly LIT withholding figures. All of this data supports yr over increases from 2022 to 2023. Finally, the estimated 2024 LIT distribution amounts dated 8/2/23 from the SBA reflect LIT Econ Development at \$78,511,467 which is \$13,808,353 mil or 21% more than 2023 Certified LIT Econ Development. Since 2011, except for 2016, the DOR has routinely collected more than has been distributed to Allen County.

Therefore, there is no question the \$5,443,257 will be "recognized".

Re: MVH Restricted Funds

While the County understands the spirit and intent of the law for the MVH Restricted Fund, I do not believe creating a separate Fund is necessary. The County can achieve the same result by using a sub-account to delineate MVH restricted monies within our Highway Fund. If using a sub-account impairs the ability for SBOA to audit and/or affects annual reporting, we will revisit the topic accordingly.

Nicholas D Jordan
Allen County Auditor

COUNTY AUDITOR
ALLEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2023, with Nicholas D. Jordan, County Auditor; Jackie Scheuman, Finance and Budget Director; Richard E. Beck, County Commissioner; and Thomas A. Harris, President of the County Council.

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BOARD OF COUNTY COMMISSIONERS
ALLEN COUNTY

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ALLEN COUNTY
AUDIT RESULTS AND COMMENTS

TRAINING ON INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Reports B53338, B55853, B57997, and B60560.

Condition and Context

Newly hired County employees had not completed required internal control standards training. The last reported completion of the training was March 2017.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 20, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

DONATION

Condition and Context

The County donated radio equipment to fire districts within the County to upgrade the substandard systems that were in use. The County did not enter into a written contract with the fire districts to ensure that the donation would serve a County purpose.

Criteria

Indiana Code 36-1-7-2 states:

"(a) A power that may be exercised by an Indiana political subdivision and by one (1) or more other governmental entities may be exercised:

- (1) by one (1) or more entities on behalf of others; or
- (2) jointly by the entities.

Entities that want to do this must, by ordinance or resolution, enter into a written agreement under section 3 or 9 of this chapter.

(b) Notwithstanding subsection (a), Indiana governmental entities that want only to buy, sell, or exchange services, supplies, or equipment between or among themselves may enter into contracts to do this and follow section 12 of this chapter."

It is our position that public funds cannot be donated or given to other organizations or individuals unless specifically authorized by law. We would not take exception to the County entering into a written contract or written grant agreement if the contract or grant serves a county purpose. Those decisions would be made by the county. If the county does not have the funding or does not find that the request serves a county purpose, the donation should not be made. We will also expect to see the claim documentation to state the county purpose. (The County Bulletin and Uniform Compliance Guidelines, September 2018)

BOARD OF COUNTY COMMISSIONERS
ALLEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2023, with Richard E. Beck, County Commissioner, and Thomas A. Harris, President of the County Council.

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COUNTY SHERIFF
ALLEN COUNTY

COUNTY SHERIFF
ALLEN COUNTY
AUDIT RESULTS AND COMMENTS

MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

A similar comment also appeared in prior Report B60560.

Condition and Context

The County Sheriff's office did not comply with the Amended State Examiner Directive 2018-1. For two months tested, 10 of the 24 mandatory file uploads to the Indiana Gateway for Government Units (Gateway) financial reporting system were not uploaded. Upon further inspection, it was determined that the County Sheriff's office was also missing all the Inmate Trust bank statements, Commissary bank statements, Commissary bank account reconciliations, and 4 of the 12 monthly ledgers. The annual mandatory file uploads to the Gateway system were also not submitted.

Criteria

This amended directive is effective starting with December 2020 monthly files. The upload of December 2020 monthly files will be due February 15, 2021, and by the 15th of each month thereafter unless the State Board of Accounts (SBOA) establishes a different date. This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar year end units. . . . Thereafter, annual files must be uploaded no later than March 1st . . . for the prior year end unless the SBOA establishes a different date. . . .

The following files and governmental unit information are required to be uploaded monthly by all units except as noted: . . .

For County Clerks, Recorders, and Sheriffs:

- Cash Balance Reports,
- Bank Reconcilements, Bank Statements, and Outstanding Check Lists

The following files and governmental unit information are required to be uploaded annually (for Counties, these apply to County Auditors unless otherwise noted): . . .

- Additionally, for County Sheriff only: Inmate Trust Fund Subsidiary Detail as of December 31 . . .

(Amended State Examiner Directive 2018-1)

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)

COUNTY SHERIFF
ALLEN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

STALE DATED OUTSTANDING CHECKS (WARRANTS)

Condition and Context

The County Sheriff's office had stale dated outstanding checks over two years old from the Cashbook as of December 31, 2022, totaling \$4,563.

Criteria

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void. . . ."

Indiana Code 5-11-10.5-3 states:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the:

- (1) board of finance of the political subdivision; or
- (2) fiscal body of a city or town.

The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision. However, in the case of a school corporation, the warrant or check shall be receipted into the operations fund."

COUNTY SHERIFF
ALLEN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS

The same comment also appeared in prior Report B60560.

Condition and Context

Depository reconciliations of the fund balances to the bank account balances were conducted for the Cash Book; however, the reconciliations were inadequate in reconciling the fund balances. On December 31, 2022, the adjusted bank balance exceeded the book balance by \$3,108 without explanation or investigation.

Criteria

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."

COUNTY SHERIFF
ALLEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2023, with Troy R. Hershberger, County Sheriff; Jaime Hardy, Comptroller; Britney Roop, Deputy Comptroller; Gary Grant, Chief Deputy; Richard E. Beck, County Commissioner; and Thomas A. Harris, President of the County Council.