

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

FOUNTAIN COUNTY, INDIANA

January 1, 2021 to December 31, 2022



FILED

11/27/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Colleen Chambers	01-01-21 to 12-31-23
County Treasurer	Susan Coffing	01-01-21 to 12-31-23
Clerk of the Circuit Court	Paula K. Copenhaver Patty Smith	01-01-21 to 12-31-22 01-01-23 to 12-31-23
County Sheriff	Terry Holt	01-01-21 to 12-31-23
County Recorder	Nikki Allen	01-01-21 to 12-31-23
President of the Board of County Commissioners	Brenda Hardy	01-01-21 to 12-31-23
President of the County Council	Dudley Cruea	01-01-21 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF FOUNTAIN COUNTY, INDIANA

This report is supplemental to the audit report of Fountain County (County), for the period from January 1, 2021 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 Statement Audit Report of the County, which provides our opinions on the County'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 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

November 14, 2023

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COUNTY AUDITOR
FOUNTAIN COUNTY

COUNTY AUDITOR
FOUNTAIN COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the County related to financial transactions and reporting. The County had not established an effective system of internal controls that separated incompatible activities related to receipts and disbursements of the ONB - Health Insurance Acct fund (self-insurance fund), as well as, financial close and reporting for the County.

Self-Insurance Receipts and Disbursements

The County utilized a third-party administrator (UMR) to administer the self-insurance fund. UMR would make deposits and pay claims from the Old National Bank account. The Payroll Clerk would record the financial activity in the ONB - Health Insurance Acct fund based on transactions from the bank statement. There was not a review, verification, or approval of the receipts deposited to the bank account. There was no documented evidence of a review of supporting documentation for health claims, administrative fees, or to ensure that all claims paid were related to County employees.

Financial Transactions and Reporting

The County did not have a system of internal controls in place to prevent, or detect and correct, errors in the preparation of the financial statement. The County Auditor entered the financial information into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement, without an oversight or review process to ensure its accuracy.

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. . . ."

COUNTY AUDITOR
FOUNTAIN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

ORDINANCES AND RESOLUTIONS

Condition and Context

Transfers were made from the General Fund and Health Insurance fund to the ONB - Health Insurance Acct fund to fund the self-insurance program offered by the County. There were 7 transfers in 2021, and 17 transfers in 2022, ranging from \$20,000 to \$400,000 for each transfer. There was no ordinance or resolution documenting the rationale and methodology for the frequency and amount of the transfers. In addition, the total amount for the insurance premiums withheld from employees' checks were not transferred to the ONB - Health Insurance Acct fund.

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system. The leases and debt information entered into Gateway contained the following errors:

1. For 2021, the Fountain County Building Corporation lease was listed as debt instead of a lease. Since it was listed as debt, the principal ending balance was overstated by \$12,993,000 and the principal due within one year was overstated by \$640,000. The annual lease payment due was understated by \$1,155,500.
2. For 2022, the Fountain County Building Corporation lease was listed as debt instead of a lease. Since it was listed as debt, the principal ending balance was overstated by \$11,837,500 and the principal due within one year was overstated by \$655,000. The annual lease payment due was understated by \$1,141,000.
3. For 2022, three leases were included on the Lease Schedule that were no longer current leases and were removed from the schedule. One lease was listed as a lease, but was an agreement for contractual services and was removed from the schedule. One additional lease was added to the schedule due to being omitted.

Adjustments were proposed, accepted by the County, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report of the County.

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
FOUNTAIN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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COUNTY AUDITOR
FOUNTAIN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 14, 2023, with Colleen Chambers, County Auditor; Brenda Hardy, President of the Board of County Commissioners; Dudley Crucea, President of the County Council; Jeff Fishero, County Council member; and Tom Booe, County Council member.