

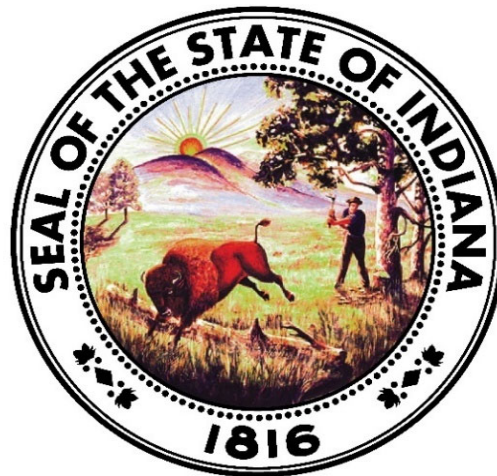
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT

OF

FULTON COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED
08/12/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Christina (Sriver) Horton	01-01-23 to 12-31-24
County Treasurer	Katherine Adamson	01-01-23 to 12-31-24
Clerk of the Circuit Court	Dawn Ziemek	01-01-23 to 12-31-24
County Sheriff	Travis Heishman	01-01-23 to 12-31-24
President of the Board of County Commissioners	Bryan Lewis	01-01-23 to 12-31-24
President of the County Council	Phyl Olinger Ron Dittman	01-01-23 to 12-31-23 01-01-24 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF FULTON COUNTY, INDIANA

This report is supplemental to the audit report of Fulton County (County), for the period from January 1, 2023 to December 31, 2023. 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

July 3, 2024

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COUNTY AUDITOR
FULTON COUNTY

COUNTY AUDITOR
FULTON COUNTY
AUDIT RESULT AND COMMENT

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

A similar comment also appeared in a Management Letter addressed to the County Auditor for the audit period ending December 31, 2022.

Condition and Context

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system, which is the source of the financial statement and other information presented in this report. The County Auditor had not established an effective system of internal controls over financial information entered into the AFR. The County Auditor submitted the information into Gateway which was reviewed by a second knowledgeable employee; however, this internal control was not effective at preventing, or detecting and correcting, errors. Due to the lack of effective internal controls, the following errors were identified:

Financial Data

Due to the lack of effective internal controls, the financial information reported in the AFR contained the following errors:

- The After Settlement Collections fund beginning cash and investments was overstated by \$4,940,314 due to investments being added to the balance, and disbursements were understated by \$60,186.
- The Sheriff Asset Seizure fund was not included in the AFR.

Audit adjustments were proposed, accepted by the County, and made to the financial statement and to the Combining Schedule of Receipts, Disbursements, and Cash and Investments Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the County.

Grants

- The Federal Transit Cluster expenditures were understated by \$103,185, and amounts passed through to subrecipients were overstated by \$110,225.
- The Formula Grants for Rural Areas and Tribal Transit Program expenditures were overstated by \$169,040, and amounts passed through subrecipients were understated by \$157,117.
- Additional grants had individually immaterial errors that resulted in total misstatements of expenditures of \$74,036.

COUNTY AUDITOR
FULTON COUNTY
AUDIT RESULT AND COMMENT
(Continued)

Audit adjustments were proposed, accepted by the County, and made to the Schedule of Expenditures of Federal Awards presented in the Federal Compliance Audit Report of the County.

Schedule of Leases and Debt

The County did not report the Fulton County Building Corporation lease on the Schedule of Leases and Debt, understating the total annual lease payments by \$1,626,000.

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

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27€ 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. . . ."

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR
FULTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 3, 2024, with Christina (Srifer) Horton, County Auditor; Bryan Lewis, President of the Board of County Commissioners; Dave Sommers, County Commissioner; Rick Ranstead, County Commissioner; Ron Dittman, President of the County Council; Phyl Olinger, County Council member; Peter Karas, County Council member; Steve Fishburn, County Council member; Christina Haughs, HR/Payroll Deputy; and Chantal Rensberger, Claims Deputy.

COUNTY TREASURER
FULTON COUNTY

COUNTY TREASURER
FULTON COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the County related to cash and investments and receipts.

Cash and Investments

The County Treasurer had not established an effective system of internal controls to ensure monthly bank reconciliations were completed accurately. The bank reconciliations were prepared by the County Treasurer and reviewed by a second knowledgeable employee; however, this internal control was not effective to ensure the reconciliations properly balanced to the financial ledger.

Receipts

The County Treasurer had not established a system of internal controls to ensure receipts were timely and accurately recorded to the County Treasurer's Cash Book. Though receipts were processed by the County Treasurer's office, then provided to the County Auditor to ensure accuracy, and recorded to the proper fund, there were no internal controls in place to ensure electronic deposits received were properly recorded in the financial ledger.

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 TREASURER
FULTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

TIMELY RECORDING

A similar comment also appeared in a Management Letter addressed to the County Treasurer for the audit period ending December 31, 2022.

Condition and Context

The County Treasurer did not have effective internal controls in place that ensured receipts were recorded to the County Treasurer's Cash Book timely. The County received various distributions from the state during the year. Based on a test of state distributions, three receipts that were deposited electronically between September and October 2023 were not recorded to the County Treasurer's Cash Book as of December 31, 2023.

Criteria

Indiana Code 5-13-5-1(a) states:

"Every public officer who receives or distributes public funds shall:

- (1) keep a cashbook into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cashbook daily to show funds on hand at the close of each day."

The Treasurer's Daily Balance of Cash and Depositories, Form 47, is the record prescribed to enable the treasurer to comply with IC 5-13-5-1. It reflects the daily receipts and disbursements, total amount of cash and investments on hand, and a proof of the financial condition of the office at the close of each day. The record is designed to be posted "daily," with a separate page for each day. The left side of the page shows the total amount of money for which the treasurer is accountable (charges), and the right side of the page shows the money on deposit invested or on hand (credits), as proof of the financial condition. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 5)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The County Treasurer did not have effective internal controls in place to ensure monthly bank reconciliations were completed accurately. For each of the 12 monthly bank reconciliations tested, the bank balance did not reconcile to the County's financial ledger. The December 31, 2023 bank reconciliation presented for audit included unidentified differences of \$140,509. Additional audit work was performed in which some of the differences were identified leaving an unidentified difference of \$46,310.

COUNTY TREASURER
FULTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

COUNTY TREASURER
FULTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 3, 2024, with Katherine Adamson, County Treasurer; Bryan Lewis, President of the Board of County Commissioners; Dave Sommers, County Commissioner; Rick Ranstead, County Commissioner; Ron Dittman, President of the County Council; Phyl Olinger, County Council member; Peter Karas, County Council member; Steve Fishburn, County Council member; Christina Haughs, HR/Payroll Deputy; and Chantal Rensberger, Claims Deputy.