

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

UNION COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED
09/16/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Dennis Spaeth	01-01-23 to 12-31-24
County Treasurer	Linda Rosenberger	01-01-23 to 12-31-24
Clerk of the Circuit Court	Susan Ray	01-01-23 to 12-31-24
County Sheriff	Jeffrey Adams	01-01-23 to 12-31-24
County Recorder	Sue Rude	01-01-23 to 12-31-24
President of the Board of County Commissioners	Tim Williams	01-01-23 to 12-31-24
President of the County Council	Trisha Persinger	01-01-23 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF UNION COUNTY, INDIANA

This report is supplemental to the audit report of Union 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

August 29, 2024

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COUNTY AUDITOR
UNION COUNTY

COUNTY AUDITOR
UNION COUNTY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCE

A similar comment appeared in prior Report 000001006S.

Condition and Context

Internal controls were not in place to ensure that fund balances were not reduced below zero. The financial statement presented for audit included a fund with an overdrawn cash balance at December 31, 2023, that was not the result of being a reimbursable grant. The Payroll Withholding - Insurance fund had an overdrawn cash balance of \$260,087.

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. . . ."

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

CAPITAL ASSETS

A similar comment appeared in prior Report 000001006S.

Condition and Context

Internal controls were not in place to ensure that the County maintained adequate capital asset records. The capital asset listing was not complete for various departments of the County. The listing did not include the County's infrastructure. The County's capital asset policy requires that it perform a yearly inventory, but an inventory was not completed for all departments in 2023.

COUNTY AUDITOR
UNION COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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:

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Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

ANNUAL FINANCIAL REPORT

A similar comment appeared in prior Report 000001006S.

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. The County had not established effective internal controls over the AFR information entered into Gateway, which resulted in the following errors:

Financial Data

- The Sheriff Commissary and Sheriff Inmate Trust funds were omitted from the AFR, which understated the beginning cash and investments balance, receipts, disbursements, and ending cash and investments balance by \$8,802, \$80,978, \$87,034, and \$2,746, respectively.
- General fund receipts and disbursements were each understated by \$2,007.
- Recorder-Checking fund's beginning cash and investments balance, receipts, disbursements, and ending cash and investments balance were overstated by \$5,464, \$50,012, \$51,401, and \$4,075, respectively.

COUNTY AUDITOR
UNION COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 in the Financial Statement Audit Report of the County.

Grants

- The COVID-19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii program expenditures were omitted and thus understated by \$250,000.
- The Highway Planning and Construction expenditures were omitted and thus understated by \$159,112.
- The Formula Grants for Rural Areas and Tribal Transit Program grant expenditures were understated by \$143,889.
- The Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs expenditures were omitted and thus understated by \$104,241.
- The Child Support Services program expenditures were omitted and thus understated by \$101,401.
- The Emergency Management Performance Grants expenditures were omitted and thus understated by \$10,875.
- Two nonfederal grants were included on the SEFA in error, which overstated expenditures by \$892,182.
- Other errors included incorrect program titles, Assistance Listings Numbers, and omitted pass-through entity names and identifying information.

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.

Capital Assets

The capital asset information entered in Gateway did not agree with the County's detailed listing of capital assets owned, and the information entered did not include the County's infrastructure.

The County chose not to report the Schedule of Capital Assets 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 as set forth in the uniform compliance guidelines. 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
UNION COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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:

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COUNTY AUDITOR
UNION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 29, 2024, with Dennis Spaeth, County Auditor; Tim Williams, President of the Board of County Commissioners; Trisha Persinger, President of the County Council; and Beth Richardson, Deputy County Auditor.