

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

EXAMINATION REPORT
OF
BOARD OF COUNTY COMMISSIONERS
NEWTON COUNTY, INDIANA
January 1, 2013 to December 31, 2013



FILED
12/01/2014

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COUNTY OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|---------------------------|--|
| President of the Board of County Commissioners | Kyle Conrad Tim Drenth | 01-01-13 to 12-31-13 01-01-14 to 12-31-14 |
| President of the County Council | Scott Carlson | 01-01-13 to 12-31-14 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF NEWTON COUNTY

We have examined the records of the Board of County Commissioners for the period from January 1, 2013 to December 31, 2013, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Examination Result and Comment. The financial transactions of this office are reflected in the Annual Report of Newton County for the year 2013.

STATE BOARD OF ACCOUNTS

October 6, 2014

BOARD OF COUNTY COMMISSIONERS
NEWTON COUNTY
EXAMINATION RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the County related to financial transactions and reporting.

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the receipting process to reduce risks to the achievement of financial reporting objectives. The County has not separated incompatible activities related to receipts. The County rotates the daily receipting process between employees within the County Auditor's Office. The employee is responsible for receipting, posting of receipts, and reconciling to the Treasurer's Office for the day without oversight or review. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. Preparing Financial Statement: Effective internal controls over financial reporting involves the identification and analysis of the risks of material misstatement to the County's examined financial statement and then determining how those identified risks should be managed. The County Auditor prepares the financial statement without review, oversight, or approval. The County has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement.
3. Monitoring of Controls: Effective internal control over financial reporting requires the Board of County Commissioners to monitor and assess the quality of the County's system of internal control. The Board of County Commissioners have not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the County at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the County has no process to identify or communicate corrective actions to improve controls.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal controls.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

BOARD OF COUNTY COMMISSIONERS
NEWTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 6, 2014, with Sharon Dewing, Auditor; Tim Drenth, President of the Board of County Commissioners; Scott Carlson, President of the County Council; and Carmelita F. Hall, Council member.