

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NEWTON COUNTY, INDIANA

January 1, 2021 to December 31, 2022



FILED
12/22/2023

TABLE OF CONTENTS

| <u>Description</u> | <u>Page</u> |
|---|-------------|
| Schedule of Officials | 2 |
| Transmittal Letter | 3 |
| County Auditor: | |
| Audit Results and Comments: | |
| Internal Controls | 6 |
| Investments | 6-7 |
| Overdrawn Cash Balances | 7 |
| Certification on Internal Control Standards | 7-8 |
| Transfers Between Funds | 8-9 |
| Investment Fund Statement | 9 |
| Exit Conference | 10 |
| County Treasurer: | |
| Audit Result and Comment: | |
| Internal Controls | 12-13 |
| Exit Conference | 14 |
| Clerk of the Circuit Court: | |
| Audit Result and Comment: | |
| Internal Controls | 16 |
| Exit Conference | 17 |
| Board of County Commissioners: | |
| Audit Result and Comment: | |
| Training on Internal Control Standards | 20 |
| Exit Conference | 21 |

SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|------------------------------------|--|
| County Auditor | Tamra James | 01-01-21 to 12-31-23 |
| County Treasurer | Jennifer Swartz | 01-01-21 to 12-31-23 |
| Clerk of the Circuit Court | Jessica Firkins | 01-01-21 to 12-31-23 |
| County Sheriff | Thomas VanVleet Shannon Cothran | 01-01-21 to 12-31-22 01-01-23 to 12-31-23 |
| County Recorder | Janice Wilson | 01-01-21 to 12-31-23 |
| President of the Board of County Commissioners | Kyle Conrad Glen Cain | 01-01-21 to 12-31-21 01-01-22 to 12-31-23 |
| President of the County Council | Michael Mark Scott Carlson | 01-01-21 to 12-31-21 01-01-22 to 12-31-23 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF NEWTON COUNTY, INDIANA

This report is supplemental to the audit report of Newton 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

December 19, 2023

(This page intentionally left blank.)

COUNTY AUDITOR
NEWTON COUNTY

COUNTY AUDITOR
NEWTON COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

A similar comment also appeared in prior Report B58632, entitled *FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

There were deficiencies in the internal control system of the County Auditor related to financial close and reporting.

The County had not established effective internal controls over the financial information entered into the Annual Financial Report (AFR) and the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the County's financial statement. The County Auditor prepared and submitted the AFRs in Gateway without an oversight or review process in place to prevent, or detect and correct, errors on the financial statement.

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. . . ."

INVESTMENTS

Condition and Context

The County General fund was understated in the records by \$2,000,000 due to an error in 2020 related to investments. The County had recorded a disbursement for \$2,000,000 to the County General fund in error. An adjustment was made to the ledger to correct the error.

Criteria

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 Counties of Indiana, Chapter 1)

COUNTY AUDITOR
 NEWTON COUNTY
 AUDIT RESULTS AND COMMENTS
 (Continued)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Report B58632.

Condition and Context

The following funds were overdrawn as of December 31, 2021 and 2022:

| Fund | Amount overdrawn | |
|---------------------------------|------------------|---------|
| | 2021 | 2022 |
| Local Tax Distribution | \$ 26 | \$ - |
| 2018 Homeland Security Grant | 5,000 | 5,000 |
| NC LV Stormwater Planning grant | 3,800 | 3,800 |
| Safe Kids Grant | 2,376 | 2,376 |
| 911 Grant Program | 9,188 | 9,188 |
| GHSF- General Health Serv Fund | 611,258 | 763,330 |
| Atlas (Ambulance) | 283 | 346 |
| Bio Terrorism | 28,311 | 6,351 |
| 2017 Regional Public Safety Gr | 300 | 300 |
| 2019 Infrastructure | 48 | 48 |

Criteria

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)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The County had adopted an internal control policy on November 15, 2021. Internal control training was not provided to employees that were involved in receipting or disbursing money for the audit period. The County certified on the Indiana Gateway for Government Units financial reporting system that the County had trained employees on internal control standards, but no training was provided; therefore, the certification was incorrect.

COUNTY AUDITOR
NEWTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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](#)."

TRANSFERS BETWEEN FUNDS

Condition and Context

Transfers reported in the County's Annual Financial Report (AFR) had the following deficiencies:

1. The transfers between funds in 2021 were not approved by the governing body as required.
2. The receipts and disbursement recorded as transfers in the AFR did not agree in 2021. Receipts were more than the disbursements due to transfers being recorded as negative receipts instead of disbursements. Receipts and disbursements in the financial statement were understated by \$901,034.
3. Bank to bank transfers were recorded to the ledger and reported in the financial statement in 2021, which overstated receipts and disbursements by \$1,598,611.
4. The transfer between the Landfill Income Holding fund and the Landfill Fees fund in 2021 was approved by the County Council for the amount of \$7,267,450. However, the transfer was recorded in the ledger as \$7,916,835.

Criteria

Indiana Code 5-11-10-1.6(c) states in part:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

COUNTY AUDITOR
NEWTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

When funds are transferred from one fund to another fund, such as loans, advances, reimbursements and payroll deductions, a warrant should be issued in favor of the "Treasurer of _____ County" and an application to pay, receipt and quietus should be immediately issued in favor of the treasurer for the receipt of such funds. Both the warrant and the receipt must clearly show the funds and accounts to be charged and credited and the reason for the transfer.

The use of "Journal Vouchers" to effect fund transfers is not authorized. Experience has shown that a clearer and more accurate record is provided where transfers are made by warrant and receipt and this procedure materially assists in reconciling receipts and disbursements in the treasurer's office with the records of depositories; also, there are instances where a transfer will affect depository accounts which precludes the use of a journal voucher.

(Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

INVESTMENT FUND STATEMENT

Condition and Context

The Investment Statement that was submitted for the 2021 Annual Financial Report on the Indiana Gateway for Government Units financial reporting system reported \$2,000,000 in County General fund investments. However, the County had \$6,000,000 in County General fund investments; therefore, the Investment Statement reported was understated by \$4,000,000.

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](#)."

Officials and employees are required to use prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY AUDITOR
NEWTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 19, 2023, with Tamra James, County Auditor; Jennifer Swartz, County Treasurer; Kyle Conrad, County Commissioner; and Scott Carlson, President of the County Council.

COUNTY TREASURER
NEWTON COUNTY

COUNTY TREASURER
NEWTON COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

A similar comment appeared in prior Report B58632, entitled *FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

The County Treasurer did not have an effective system of internal controls in place to prevent, or detect and correct, errors related to the bank reconciliations. The County Treasurer performed reconciliations of the depository balance to the record balances monthly, but internal controls were not effective as depository balances did not reconcile to the total on the financial statement, or to the County Treasurer's Daily Balance of Cash and Depositories (Cash Book), and Auditor's Fund Statement. The following errors were identified:

1. On December 31, 2021, the total cash and investments per the Treasurer's Cash Book indicated a cash short of \$3,908,885.
2. The Treasurer included the investment fund of all monies on deposit totaling \$6,000,000, which was included in the fund balance that caused the Cash Book to be short by the \$6,000,000 in 2021.
3. The Auditor had recorded a disbursement out of the County General fund for \$2,000,000 for an investment that was taken from all funds which caused the Treasurer's Cash Book to be long by \$2,000,000 for 2021.
4. On December 31, 2022, the total cash and investments per the Treasurer's Cash Book indicated a cash short of \$113,276.
5. Outstanding checks of \$3,367,778 were on the bank reconciliation for December 31, 2022, that had cleared the bank in December.

COUNTY TREASURER
NEWTON COUNTY
AUDIT RESULT AND COMMENT
(Continued)

Criteria

Indiana Code 5-13-6-1(e) states in part: "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."

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. . . ."

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
NEWTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 19, 2023, with Jennifer Swartz, County Treasurer; Tamra James, County Auditor; Kyle Conrad, County Commissioner; and Scott Carlson, President of the County Council.

CLERK OF THE CIRCUIT COURT
NEWTON COUNTY

CLERK OF THE CIRCUIT COURT
NEWTON COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the Clerk of the Circuit Court (Clerk) related to cash and investments and financial reporting. The Clerk had not designed or implemented a system of internal controls related to cash and investments and financial reporting.

The Clerk prepared and reconciled the record balances with the depository balances for the Trust account without a system of oversight or review. The ISETS accounts were prepared and reconciled monthly by the Deputy Clerk without a system of oversight or review. The Supplemental Annual Financial Report, which is included in the County Annual Financial Report, was prepared and submitted to the County Auditor without a system of oversight or review.

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. . . ."

CLERK OF THE CIRCUIT COURT
NEWTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 19, 2023, with Jessica Firkins, Clerk of the Circuit Court; Tamra James, County Auditor; Jennifer Swartz, County Treasurer; Kyle Conrad, County Commissioner; and Scott Carlson, President of the County Council.

(This page intentionally left blank.)

BOARD OF COUNTY COMMISSIONERS
NEWTON COUNTY

BOARD OF COUNTY COMMISSIONERS
NEWTON COUNTY
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

Similar comments also appeared in the three most recent Reports B54209, B56105, and B58632, entitled *ADOPTION OF AND TRAINING ON INTERNAL CONTROL STANDARDS*.

Condition and Context

Internal control training was not provided to employees that were involved in receipting or disbursing money for the audit period.

Criteria

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

"After June 30, 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."

BOARD OF COUNTY COMMISSIONERS
NEWTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 19, 2023, with Kyle Conrad, County Commissioner; Scott Carlson, President of the County Council; Tamra James, County Auditor; and Jennifer Swartz, County Treasurer.