

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

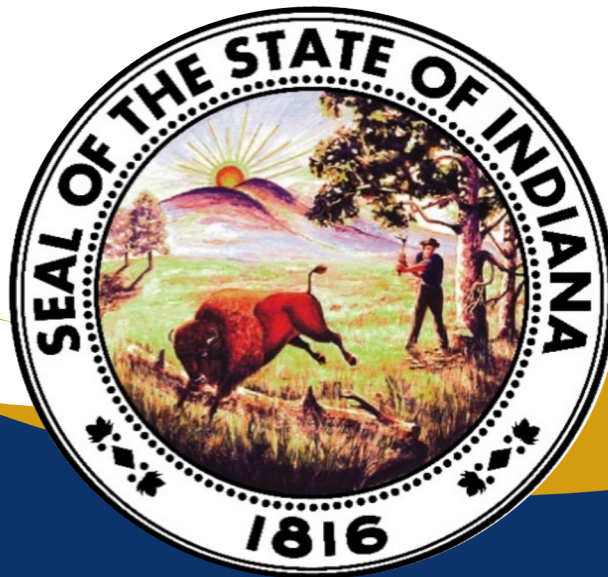
**Paul D. Joyce, CPA
State Examiner**

SUPPLEMENTAL COMPLIANCE REPORT

OF

NEWTON COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED
12/23/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Tamra James	01-01-23 to 12-31-24
County Treasurer	Jennifer Swartz	01-01-23 to 12-31-24
Clerk of the Circuit Court	Jessica Firkins	01-01-23 to 12-31-24
County Sheriff	Shannon Cothran	01-01-23 to 12-31-24
County Recorder	Janice Wilson	01-01-23 to 12-31-24
President of the Board of County Commissioners	Glen A. Cain	01-01-23 to 12-31-24
President of the County Council	Scott Carlson	01-01-23 to 12-31-24



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State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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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, 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

November 26, 2024



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* and Report 000001663S, entitled *INTERNAL CONTROLS*.

Condition and Context

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

An Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system, which was the source of the County's financial statement. The County had a system of internal controls to ensure correct financial close and reporting, but that internal control was not effective at preventing or detecting errors. The beginning cash balance submitted in the AFR was overstated by \$2,000,000 for the General fund.

Adjustments were proposed, accepted by the County, and made to the financial statement and the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information 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(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. . . ."

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
NEWTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS OVER COMPLIANCE

Condition and Context

Internal control deficiencies resulted in the noncompliance over:

- Annual Financial Report
- Capital Assets
- Overdrawn Cash Balances
- Reconciliation of the Monthly Financial Statement (Form 61)

These internal control deficiencies are further detailed in the comments below.

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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ANNUAL FINANCIAL REPORT

Condition and Context

The Annual Financial Report (AFR) is required to be entered annually via the Indiana Gateway for Government Units financial reporting system. Effective internal controls were not established to ensure the accuracy and completeness of the information submitted in the AFR, which resulted in the following errors:

Leases and Debt

The County omitted the information for one of the leases with the Newton County Redevelopment Authority resulting in an understatement of the annual lease payments by \$382,000.

COUNTY AUDITOR
NEWTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The AFR is the basis for the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report of the County. Audit adjustments were proposed, accepted by the County, and made to this schedule and the leases information within the AFR.

Accounts Payable and Accounts Receivable

The County had amounts that were either owed to vendors and not yet paid or collections from customers not yet received at year end. Those amounts were to be reported in the AFR as accounts payable or accounts receivable, respectively. However, the County did not report any accounts payable or receivable.

The AFR is the basis for the other information presented. Due to the material errors noted, the County approved the omission of the Schedule of Payables and Receivables from the Financial Statement Audit Report of the County.

Capital Assets

The County had not provided an accurate detailed listing to support the \$40,623,827 of capital assets reported in the AFR.

The AFR is the basis for the other information presented. Due to the material errors noted, the County approved the omission of the Schedule of Capital Assets from 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](#)."

CAPITAL ASSETS

Condition and Context

Internal controls were not in place over the preparation of the capital assets detailed listing. The County did not maintain a materially accurate detailed listing of all capital assets owned which reflected their acquisition value. The amounts reported were \$10,976,145 greater than that of the capital assets listing provided for the buildings and machinery and equipment categories.

Furthermore, the County had not performed a complete physical inventory of the capital assets every two years as required.

COUNTY AUDITOR
 NEWTON COUNTY
 AUDIT RESULTS AND COMMENTS
 (Continued)

Criteria

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 County Auditors of Indiana, Chapter 1)

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Reports B58632 and 000001663S.

Condition and Context

Internal controls were not in place to ensure that cash balances were not overdrawn. The County had the following funds with overdrawn cash balances at December 31, 2023, which were not attributed to timing of reimbursement.

Fund	Amount Overdrawn
2018 Homeland Security Grant	\$ 5,000
NC LV Stormwater Planning grant	3,800
Safe Kids Grant	2,376
GHSF- General Health Serv Fund	1,187,347
Bio Terrorism	6,785
2017 Regional Public Safety Gr	300
2019 Infrastructure	48

Several funds, consisting of the 2018 Homeland Security Grant, the NC LV Stormwater Planning grant, the Safe Kids Grant, the 2017 Regional Public Safety Gr, and the 2019 Infrastructure, have carried the same overdrawn balances since January 1, 2021. Additionally, the GHSF - General Health Serv Fund, which was new in 2020, has been overdrawn every year since its inception. From 2020 through 2024, the fund has only had \$17,423 in receipts with \$1,207,770 in expenses recorded to the records for the nursing home.

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 County Auditors of Indiana, Chapter 1)

RECONCILEMENT OF THE MONTHLY FINANCIAL STATEMENT (FORM 61)

Condition and Context

The County did not have a system of internal controls over the County Auditor's reconciliation of the Monthly Financial Statement (Form 61) to ensure the County Treasurer and the County Auditor's independently prepared statements properly reconciled.

COUNTY AUDITOR
NEWTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The County Treasurer's Cash Book did not balance to the financial statement or to the County Auditor's fund report as of December 31, 2023. However, the reconciliation of the Monthly Financial Statement (Form 61) contained no variances. Thus, the validity of the reconciliation of the County Auditor's and the County Treasurer's independently prepared Monthly Financial Statements was not properly supported or effective to detecting and correcting errors timely.

Criteria

At the close of each calendar month a Monthly Financial Statement, County Form No. 61, shall be prepared, showing the financial transactions for the month and year to date, for each fund and in total.

The county treasurer is also required to independently prepare a Monthly Financial Statement on the same form and the two statements must be reconciled. If any differences exist between the records of the Auditor and the Treasurer, they must be identified and immediate steps taken to bring the records of the two offices into agreement.

The statements are prescribed to be placed in a post-binder and shall be carefully preserved as a permanent record.

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

COUNTY AUDITOR
NEWTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 26, 2024, with Tamra James, County Auditor; Jennifer Swartz, County Treasurer; Tom VanVleet, County Council member; David Atkinson, County Council member; and Glen A. Cain, President of the Board of County Commissioners.



COUNTY TREASURER
NEWTON COUNTY

COUNTY TREASURER
NEWTON COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER BANK RECONCILEMENTS

A similar comment was also in prior Report B58632, entitled *FINANCIAL TRANSACTIONS AND REPORTING*, and Report 000001663S, entitled *INTERNAL CONTROLS*.

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 record balances monthly, but the reconciliations were not effective as the 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 the County Auditor's Fund Statement. The following errors were identified:

- As of December 31, 2023, the adjusted depository balance was determined to be greater than both the County Treasurer's Cash Book and the County Auditor's Fund Statement by \$329,077 and \$166,917, respectively, without any further research as to the cause of the variances. The ledgers and financial statement were not adjusted for these variances.
- Two bank accounts were omitted from the Cash Book as of December 29, 2023, totaling \$2,427.

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."

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 TREASURER
NEWTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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)

RECONCILEMENT OF THE MONTHLY FINANCIAL STATEMENT (FORM 61)

Condition and Context

The County did not have a system of internal controls over the County Treasurer's reconcilment of the Monthly Financial Statement (Form 61) to ensure the County Treasurer and the County Auditor's independently prepared statements properly reconciled.

The County Treasurer's Cash Book did not balance to the financial statement or to the County Auditor's fund report as of December 31, 2023. However, the reconcilment of the Monthly Financial Statement (Form 61) contained no variances. Thus, the validity of the reconcilment of the County Auditor's and the County Treasurer's independently prepared Monthly Financial Statements was not properly supported or effective to detecting and correcting errors timely.

Criteria

The Monthly Financial Statement, Form 61, is a permanent record prepared from the treasurer's funds ledger at the close of each month. It is prepared after all postings to the ledger have been completed for the month and reflects the total receipts and disbursements and the balance for each fund for the month and for the year to date. The statement must agree with a similar statement kept by the county auditor, giving consideration to any adjustments required to reconcile the ledgers of the two offices. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 5)

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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EXIT CONFERENCE

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