

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

JACKSON COUNTY, INDIANA

January 1, 2014 to December 31, 2014



**FILED**

07/28/2017



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SCHEDULE OF OFFICIALS

| <u>Office</u>                                     | <u>Official</u>                                           | <u>Term</u>                                                          |
|---------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------------------------|
| County Auditor                                    | Kathy S. Hohenstreiter                                    | 01-01-13 to 12-31-20                                                 |
| County Treasurer                                  | Maria L. Fisher<br>Roger D. Hurt                          | 01-01-13 to 12-31-16<br>01-01-17 to 12-31-20                         |
| Clerk of the Circuit Court                        | Amanda L. Lowery                                          | 01-01-11 to 12-31-18                                                 |
| County Sheriff                                    | Michael E. Carothers                                      | 01-01-11 to 12-31-18                                                 |
| County Recorder                                   | Linda Jo Auleman                                          | 01-01-11 to 12-31-18                                                 |
| President of the Board of<br>County Commissioners | Jerry Hounshel<br>Matt Reedy                              | 01-01-14 to 12-31-15<br>01-01-16 to 12-31-17                         |
| President of the<br>County Council                | Leon Pottschmidt<br>Charlie S. Murphy<br>Bridey K. Jacobi | 01-01-14 to 12-31-15<br>01-01-16 to 12-31-16<br>01-01-17 to 12-31-17 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF JACKSON COUNTY, INDIANA

This report is supplemental to our audit report of Jackson County (County), for the period from January 1, 2014 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

May 15, 2017

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COUNTY AUDITOR  
JACKSON COUNTY

COUNTY AUDITOR  
JACKSON COUNTY  
FEDERAL FINDING

**FINDING 2014-001 - PREPARATION OF THE SCHEDULE  
OF EXPENDITURES OF FEDERAL AWARDS**

*Condition*

The County did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). Documentation was not presented to indicate the information on the SEFA was reviewed and approved by anyone other than the preparer.

*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. . . ."

*Cause*

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA could have remained undetected.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



**Kathy S. Hohenstreiter**  
**Auditor of Jackson County**

**Courthouse**

111 South Main Street  
Suite 118  
Brownstown, IN 47220

Phone: 812-358-6161  
Fax: 812-358-6172

Email: [auditor@jacksoncounty.in.gov](mailto:auditor@jacksoncounty.in.gov)

***FINDING 2014-001-PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

Contact Person Responsible for Corrective Action: County Auditor-Kathy S. Hohenstreiter  
Contact Phone Number: 812-358-6161

We concur with the Audit Finding.

Description of Corrective Action Plan:

Information that is entered into the SEFA comes from Departments with federal distributions. SEFA Information is reviewed by Auditor/preparer and department head for accuracy. In addition to department head review, the 1<sup>st</sup> deputy in Auditor office reviews information entered for accuracy and after review initials and dates.

Anticipated Completion Date: Corrective plan was implemented for 2016 SEFA reporting.

Kathy S. Hohenstreiter  
Signature

County Auditor  
Title

May 8, 2017  
Date

COUNTY AUDITOR  
JACKSON COUNTY  
AUDIT RESULTS AND COMMENT

***OVERDRAWN CASH BALANCES***

The cash balance of the Comm Correction 9102 Fund was overdrawn by \$6,000 at December 31, 2014.

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 governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR  
JACKSON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on May 15, 2017, with Kathy S. Hohenstreiter, County Auditor; Bridey K. Jacobi, President of the County Council; Matt Reedy, President of the Board of County Commissioners; and Bob Gillaspay, County Commissioner.

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CLERK OF THE CIRCUIT COURT  
JACKSON COUNTY

CLERK OF THE CIRCUIT COURT  
JACKSON COUNTY  
FEDERAL FINDING

**FINDING 2014-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS  
AND REPORTING - CLERK OF THE CIRCUIT COURT**

*Condition*

The Clerk of the Circuit Court had not separated incompatible activities related to receipts, disbursements, and cash balances. One individual was responsible for preparing and making bank deposits; reconciling daily cash collections; preparing bank reconcilements; recording receipt and disbursements transactions in the ledger; recording adjustments in the ledger; issuing checks; and preparing the supplemental Annual Financial Report.

*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. . . ."

*Cause*

The Clerk of the Circuit Court had not established a proper system of internal control.

*Effect*

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**Amanda L. Lowery**  
Clerk of Jackson County  
Circuit and Superior Courts  
PO Box 318 Brownstown, IN 47220  
812.358.6117/812.358.6187(fax)  
[alowery@jacksoncounty.in.gov](mailto:alowery@jacksoncounty.in.gov)

Finding 2014-002

Contact Person: Amanda L. Lowery, Clerk  
Contact Number: 812.358.6117

We concur with the findings.

**DESCRIPTION OF CORRECTIVE ACTION PLAN:**

The Jackson County Clerk of the Circuit Court has implemented the following corrective action plan, effective immediately.

Each employee posts payment into the Odyssey Court management system using an individualized, password protected user name. The child support, circuit, superior 1 and superior 2 cash drawers are counted at the end of business day by an employee at each office. The employee counting the drawer signs off and dates the receipt tape they produce when counting the drawer. The bookkeeper is not responsible for counting any cash drawers. The money and signed tapes are submitted to the bookkeeper for a second count and verification.

The clerk of 1<sup>st</sup> deputy will review and sign off on the daily balance report produced by the Odyssey Court Management System.. This provides a report of all payments and the employee responsible for posting the payments on a daily basis. It also will allow the clerk to review any adjustments that have been made. Payment adjustments are processed through an adjustment till in the Odyssey Court Management System.

The bookkeeper will prepare and make the daily child support deposit. The child support clerk will prepare and make the daily circuit/superior court deposit.

The Child Support clerk reconciles the child support account to the monthly bank statement. The bookkeeper reconciles the circuit/superior account to the monthly bank statement. The bookkeeper prepares the Monthly Report(form 46-CR) and the clerk reviews and signs off on the report.

The bookkeeper is responsible for the printing of checks. The bookkeeper queues the Disbursement Summary Report through the Odyssey Court Management System. Checks are queues from the previous week, and printed on Monday and Thursday. The bookkeeper reviews the report for a recipient name on each check scheduled to print. After verification of recipients,

checks are printed for distribution. The clerk or 1<sup>st</sup> deputy will review and sign off on the stubs from the printed checks that are retained for our records.

The bookkeeper prepares the Supplemental Annual Financial Report. The clerk reviews and signs off on the report that the information being submitted is true and correct.

ANTICIPATED COMPLETION DATE: May 1, 2017

Amanda L. Lowery  
Signature

Clerk  
Title

May 1, 2017  
Date

CLERK OF THE CIRCUIT COURT  
JACKSON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on May 15, 2017, with Amanda L. Lowery, Clerk of the Circuit Court; Bridey K. Jacobi, President of the County Council; Matt Reedy, President of the Board of County Commissioners; and Bob Gillaspay, County Commissioner.

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COUNTY TREASURER  
JACKSON COUNTY

COUNTY TREASURER  
JACKSON COUNTY  
FEDERAL FINDING

***FINDING 2014-003 - INTERNAL CONTROLS OVER FINANCIAL  
TRANSACTIONS AND REPORTING - COUNTY TREASURER***

*Condition*

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

Lack of Segregation of Duties: The County had not separated incompatible activities related to cash and investments. Documentation was not presented indicating review and approval of the monthly reconciliations of the bank accounts by someone other than the person preparing them.

*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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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. . . ."

*Cause*

Management of the County had not established a proper system of internal control.

*Effect*

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



## Office of the Treasurer of Jackson County

111 S. Main Street  
Courthouse  
Brownstown, IN 47220  
812.358.6125 • Fax: 812.358.6172

### ***FINDING 2014-003***

Contact Person Responsible for Corrective Action: Roger D. Hurt  
Contact Phone Number: 812-358-6126

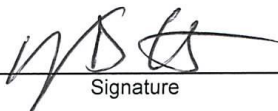
Views of Responsible Official: Based upon the reviews of the prior Treasurer, I concur with the findings.

### Description of Corrective Action Plan:

Department Policy on Bank Statement Reconcile with-in the LOW software Program:

1. The Treasurer prepares the Bank Statement reconcilements within the Auditor Financial Program.
2. The Chief Deputy reviews and verifies that all Deposits and Checks are accounted and a balance Difference of zero is achieved prior to the Treasurer finalization and archiving the statement by dating and initialing.
3. Copies are maintained in the system and a hard copy is stored in with the bank statement for review.

Anticipated Completion Date: This internal control will go into effect upon completion of department cross training of Chief Deputy and Treasurer / Estimated date 5-10-2017

  
\_\_\_\_\_  
Signature

  
\_\_\_\_\_  
Title

  
\_\_\_\_\_  
Date

COUNTY TREASURER  
JACKSON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on May 15, 2017, with Roger D. Hurt, County Treasurer; Bridey K. Jacobi, President of the County Council; Matt Reedy, President of the Board of County Commissioners; and Bob Gillaspay, County Commissioner.