

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
NEWTON COUNTY, INDIANA
January 1, 2014 to December 31, 2016



FILED
11/30/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Sharon Dewing	01-01-11 to 12-31-18
County Treasurer	Diane Veld	01-01-13 to 12-31-20
Clerk of the Circuit Court	Janice Wilson	01-01-13 to 12-31-20
County Sheriff	Thomas VanVleet	08-18-13 to 12-31-18
President of the Board of County Commissioners	Tim Drenth	01-01-14 to 12-31-17
President of the County Council	Scott Carlson	01-01-14 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our examination report of Newton County (County), for the period from January 1, 2014 to December 31, 2016. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statements Examination Report of the County, which provides our opinion on the County's financial statements. 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 Examination 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 Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

October 25, 2017

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COUNTY AUDITOR
NEWTON COUNTY

COUNTY AUDITOR
NEWTON COUNTY
EXAMINATION RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The County Auditor had not established a proper system of internal control to prevent, or detect and correct errors on the financial statements. The County Auditor independently prepared the financial statements for inclusion into the gateway portal without any oversight, review, or approval process to verify the accuracy of the information and amounts. This resulted in three donations funds totaling \$1,213 that were not included in the 2014 and 2015 financial statements.

A similar comment was included in prior Reports B44539 and B44542.

Examination adjustments were proposed, accepted by the County, and made to the financial statements.

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. . . ."

COUNTY AUDITOR
NEWTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 25, 2017, with Sharon Dewing, County Auditor; Diane Veld, County Treasurer; Tim Drenth, President of the Board of County Commissioners; Scott Carlson, President of the County Council; and Tim Lohr, County Council member.

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COUNTY TREASURER
NEWTON COUNTY

COUNTY TREASURER
NEWTON COUNTY
EXAMINATION RESULT AND COMMENT

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations did not balance. The County's main bank account did not balance to the County Treasurer's records. The bank reconciliation at December 31 was cash long or short as follows:

<u>Years</u>	<u>Long (Short)</u>
2014	\$ (8,422.80)
2015	182.96
2016	(3,520.99)

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."

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 October 25, 2017, with Diane Veld, County Treasurer; Sharon Dewing, County Auditor; Tim Drenth, President of the Board of County Commissioners; Scott Carlson, President of the County Council; and Tim Lohr, County Council member.

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BOARD OF COUNTY COMMISSIONERS
NEWTON COUNTY

BOARD OF COUNTY COMMISSIONERS
NEWTON COUNTY
EXAMINATION RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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 responsibilities places the County at risk that controls may not be properly designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in the financial statements in a timely manner.

A similar comment was included in prior Reports B44540 and B44543.

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ADOPTION OF INTERNAL CONTROL STANDARDS

The Board of County Commissioners did not adopt the minimum internal control standards and procedures and ensure personnel were properly trained as required under Indiana Code 5-11-1-27(g).

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

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (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 October 25, 2017, with Tim Drenth, President of the Board of County Commissioners; Diane Veld, County Treasurer; Sharon Dewing, County Auditor; Scott Carlson, President of the County Council; and Tim Lohr, County Council member.