

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

JAY COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
08/28/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Anna M. Culy	01-01-15 to 12-31-18
County Treasurer	Robin Alberson Paula Miller	01-01-13 to 12-31-16 01-01-17 to 12-31-20
Clerk of the Circuit Court	Ellen Coats Jon Eads	01-01-13 to 12-31-16 01-01-17 to 12-31-20
County Sheriff	Dwane Ford	01-01-15 to 12-31-18
County Recorder	Betty St. Myers	01-01-15 to 12-31-18
President of the Board of County Commissioners	Faron Parr Douglas L. Inman Richard L. Huffman	01-01-15 to 12-31-16 01-01-17 to 06-12-17 06-13-17 to 12-31-18
President of the County Council	Michael Leonhard Jeanne Houchins	01-01-15 to 12-31-16 01-01-17 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF JAY COUNTY, INDIANA

This report is supplemental to our audit report of Jay County (County), for the period from January 1, 2017 to December 31, 2017. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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/.

The Federal Findings, identified in the above referenced audit report, are included in this report.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

August 3, 2018

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COUNTY SHERIFF
JAY COUNTY

COUNTY SHERIFF
JAY COUNTY
FEDERAL FINDING

FINDING 2017-001

Subject: Internal Controls over Financial Transactions and Reporting - County Sheriff
Audit Findings: Significant Deficiency, Noncompliance

Repeat

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-001.

Condition

The County Sheriff's Department did not have a proper system of internal control in place over financial transactions and reporting of the Inmate Trust account to prevent, or detect and correct, errors.

The County Sheriff's Department had not separated incompatible activities related to financial transactions of the Inmate Trust account. One employee was responsible for reconciling daily cash collections, preparing and making the bank deposits, recording receipts and disbursements in the financial records, and performing the reconciliation of the depository account balance with the record balance. There were no controls in place such as an oversight, review, or approval process of the financial records or bank reconciliations.

Context

The lack of controls was a systemic problem throughout the audit period.

Due to the lack of controls, the following issues were noted during the audit period:

- On several occasions during 2017, receipts exceeding \$500 were received and deposited later than the next business day. Some receipts were not deposited as much as 25 days after receipt.
- In addition to the late depositing of receipts already noted, there were nine receipts received during 2016 and 2017 totaling \$9,155 that still had not been deposited as of April 30, 2018.
- The Jay County Sheriff's Department did not reconcile the balance of the Inmate Trust account with the balance on the bank statements provided by its financial institution, on a monthly basis.
- During the audit period, the Jail Matron did not generate a detailed report of the inmate trust receipts, disbursements, and balances from its software system to reconcile to the fund ledger, as required.

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:

COUNTY SHERIFF
JAY COUNTY
FEDERAL FINDING
(Continued)

"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 municipality and every state or local governmental unit, entity, or instrumentality 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 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."

Indiana Code 5-13-6-1 states in part:

". . . (c) . . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . .

(e) 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. . . .

(g) The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500): . . .

(2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee.

(3) A city or a town required to deposit funds under subsection (d). . . ."

Indiana Code 36-8-10-22 states:

"(a) This section applies to any county that operates a county jail.

(b) The sheriff shall hold in trust separately for each inmate any money received from that inmate or from another person on behalf of that inmate.

(c) If the inmate or the inmate's legal guardian requests a disbursement from the inmate's trust fund, the sheriff may make a disbursement for the personal benefit of the inmate, including but not limited to a disbursement to the county jail commissary.

COUNTY SHERIFF
JAY COUNTY
FEDERAL FINDING
(Continued)

(d) Upon discharge or release of an inmate from the county jail, the sheriff shall pay to that inmate or the inmate's legal guardian any balance remaining in his inmate's trust fund.

(e) If an inmate is found guilty of intentionally destroying or losing county property after a hearing conducted under IC 11-11-5-5, the sheriff may disburse from the inmate's trust fund or commissary account sums of money as reimbursement to the county for the inmate's intentional destruction or loss of county property, including but not limited to clothing, bedding, and other nondisposable items issued by the county to the inmate. Before disbursing money under this subsection, the sheriff shall adopt rules to administer this procedure.

(f) The sheriff shall maintain a record of each trust fund's receipts and disbursements. The state board of accounts shall prescribe the form for this record."

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)

Cause

Management of the County had not established a proper system of internal control over financial transactions and reporting of the Sheriff's Inmate Trust account.

Effect

The failure to establish controls enabled material misstatements and irregularities to remain undetected.

Recommendation

We recommended that the County's management establish controls, including segregation of duties, over financial transactions and reporting of the Sheriff's Inmate Trust accounts.

Views of Responsible Officials

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



JAY COUNTY SHERIFF OFFICE
224 West Water Street
Portland, Indiana 47371
260-726-8188
Fax: 260-726-8103

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Kristin Coleman
 Contact Phone Number: 260-726-8188

Description of Corrective Action Plan: The Matron will perform deposit twice a week, verified by computer-generated transaction report and post to account. Administrative Assistant will review transaction. The Matron will reconcile bank statement and Administrative Assistant will review and sign monthly.

Anticipated Completion Date: 08/01/18

Dwane Ford

 (Signature)

Sheriff

 (Title)

08/01/18

 (Date)

COUNTY SHERIFF
JAY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 3, 2018, with Dwane Ford, County Sheriff; Richard L. Huffman, President of the Board of County Commissioners; Barry Hudson, County Commissioner; and Jeanne Houchins, President of the County Council.

COUNTY HOME
JAY COUNTY

COUNTY HOME
JAY COUNTY
FEDERAL FINDING

FINDING 2017-002

Subject: Internal Controls over Financial Transactions and Reporting - County Home
Audit Findings: Material Weakness, Noncompliance

Repeat

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-002.

Condition

The County Home did not have a proper system of internal control in place over financial transactions and reporting to prevent, or detect and correct, errors.

The County Home's office had not separated incompatible activities related to the financial transactions of the County Home. One employee was responsible for receiving monies, reconciling daily cash collections, recording receipt and disbursement transactions, preparing and making the bank deposits and reconciling bank accounts to the records. One individual was also responsible for withdrawing and maintaining the residents' personal spending money each month. There were no controls in place such as an oversight, review, or approval process of the financial transactions or bank reconcilements.

Context

The lack of controls was a systemic problem throughout the audit period.

Due to the lack of controls, the following issues were identified during the audit period:

- The County Home did not adequately maintain a County Home Resident's Maintenance Ledger. The County Home had been using a standard columnar pad to create a hand-written ledger in place of the prescribed form (County Form 77B).
- Receipts were not properly issued for all monies received. Multiple receipts were pre-written for resident rent payments not yet received by the County Home, resulting in numerous voided receipts. Receipts were not issued on many occasions for money received from the sale of grain and cattle, rent of farm ground, and donations.
- Errors were found on the Combined Report by the Superintendent of the County Home to the Board of Commissioners (Form 77), a detail of receipts from the residents as well as a reporting of resident charges for the month. These reports contained several errors including incorrect billing charges, no record of resident absence days, no admittance or departure date for partial month residents, and calculation errors, which caused incorrect amounts to be remitted to the County.
- The County Home sold cattle throughout the audit period, and for the period of December 2015 through February 2017 did not remit money received for cattle sales to the County. Money received from the sale of cattle was retained in the County Home bank account and later used to purchase additional cattle. Additionally, farm ground rent and proceeds from the sale of corn were retained in this account. In February of 2017, the remaining cattle, rent, and corn money was remitted to the County.

COUNTY HOME
JAY COUNTY
FEDERAL FINDING
(Continued)

- The County Home Director opened a donation bank account in September 2015, without the knowledge or approval of the County Auditor. Funds were kept in this bank account and not remitted to the County as required. Some donations were kept on hand as a petty cash fund and used to pay for various items and services for individual residents. Examples of items purchased for residents with these funds were; dentures, eyeglasses, and various clothing items. Additionally, amounts retained in this donation bank account were not reported to the County to be included in the County Annual Report.
- Supporting documentation was not submitted for audit for numerous transactions throughout the audit period. The County Home maintained the personal spending money for a resident, without retaining documentation for amounts spent on behalf of the resident. Monies spent on behalf of the resident included amounts paid to Walmart, Jay County Hospital, Bluffton Physicians, and various other medical facilities.
- A receipt was issued during 2017 by the County Home that indicated money was received that was not deposited, in the amount of \$1,903. Additionally, three receipts were issued in 2016 that still had not been deposited, totaling \$2,618. For a total of \$4,521 of undeposited receipts at December 31, 2017.
- Documentation to support the financial information provided to the County Auditor for submission in the County Annual Report was not provided for audit.
- The following records were not retained or made available for audit:
 - Documentation for payments made to various medical facilities and grocery stores on behalf of residents.
 - Documentation on sources of donations to the County Home or restrictions on donations.
 - Documentation of admittance, discharge, and leave dates for residents.
 - Record of past due balances of residents.
 - General ledger.
- Bank reconciliements were not performed during the audit period for the County Home to reconcile the balance of public funds with the balance on the bank statements provided by its financial institution.

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:

COUNTY HOME
JAY COUNTY
FEDERAL FINDING
(Continued)

"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 municipality and every state or local governmental unit, entity, or instrumentality 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 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 and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines)

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)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Indiana Code 5-13-6-1 states in part:

". . . (c) . . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . .

COUNTY HOME
JAY COUNTY
FEDERAL FINDING
(Continued)

(e) 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. . . .

(g) The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500): . . .

(2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee.

(3) A city or a town required to deposit funds under subsection (d). . . ."

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

(1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.

(2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

Cause

Management of the County had not established a proper system of internal control over financial transactions and reporting for the County Home.

Effect

The failure to establish controls enabled material misstatements and irregularities to remain undetected.

Recommendation

We recommended that the County's management establish controls, including segregation of duties, over financial transactions and reporting of the County Home.

Views of Responsible Officials

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



Jay County Auditor's Office
120 N Court St, Suite 202
Portland, IN 47371
(260) 726-7575

August 3, 2018

CORRECTIVE ACTION PLAN

Finding 2017-002

Contact Person Responsible for Corrective Action: Amanda Cox, County Home Superintendent; Jay County Commissioners
Contact Phone Number: 260-726-8702

Views of Responsible Official:

We concur with the report.

Description of Corrective Action Plan:

In regards to future handling of all monies, several steps have been discussed and many already implemented. First, the county home superintendent will be closing out the erroneously opened donations bank account after the commissioners accept all donations. The money will then be deposited into an already existing fund set-up many years ago for all retirement center donations. A budget will be created for appropriately spend any donation money given from this point forward.

Second, the commissioners have allowed the purchase of a new computer and copier to allow the new county home director to create several spreadsheets to track any and all monies that are under her supervision. The spreadsheets will account for all resident money as well as any money due the county. The new technology will also allow better communication with the commissioners, auditor's office, and various other essential offices/departments.

Third, from this point forward, the county home superintendent will not be destroying any records until the appropriate time. In conjunction with this, all necessary records will be filled out accurately and at the appropriate time, and will then be appropriately filed in order to be retained.

Fourth, from this point forward all money stemming from the sale/purchase of livestock will be accounted for in the correct manner. The commissioners voted to end the livestock program at the retirement center on July 23, 2018. However, if there is ever even one animal purchased for county home use, the proper steps will be followed by the county home superintendent.

COUNTY HOME
JAY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 3, 2018, with Anna M. Culy, County Auditor; Richard L. Huffman, President of the Board of County Commissioners; Barry Hudson, County Commissioner; and Jeanne Houchins, President of the County Council.