

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

JENNINGS COUNTY, INDIANA

January 1, 2015 to December 31, 2015



**FILED**  
01/03/2019



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Kay S. Vance	01-01-15 to 12-31-18
County Treasurer	Sandra L. Vance Kathryn Shepherd	01-01-13 to 12-31-16 01-01-17 to 12-31-20
Clerk of the Circuit Court	Mary Dorsett Kilgore	01-01-15 to 12-31-18
County Sheriff	Gary M. Driver	01-01-15 to 12-31-18
County Recorder	Janice L. Ramey	01-01-15 to 12-31-18
President of the Board of County Commissioners	Matt Sporleder	01-01-15 to 12-31-18
President of the County Council	Howard L. Malcomb	01-01-15 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF JENNINGS COUNTY, INDIANA

This report is supplemental to our audit report of Jennings County (County), for the period from January 1, 2015 to December 31, 2015. 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 our Financial Statement Audit Report of the County, which provides our opinion on the County's financial statements. This report may be found at [www.in.gov/sboa](http://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.

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

November 19, 2018

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COUNTY AUDITOR  
JENNINGS COUNTY

COUNTY AUDITOR  
JENNINGS COUNTY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

A similar comment also appeared in the prior Report B47732, entitled *FINDING 2014-003 - FINANCIAL TRANSACTIONS AND REPORTING - COUNTY AUDITOR*.

The County Auditor had not established an adequate internal control structure related to financial transactions and reporting. There was a lack of adequate segregation of duties as the County had not separated incompatible activities related to receipts, disbursements, and financial reporting.

The County Auditor did not have a proper system of internal control in place to prevent, or detect and correct, errors on the financial statement. The County Auditor entered the County's financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the financial statement; however, the process was completed without a documented oversight, review or approval process, or other compensating control in place to ensure that information was submitted accurately.

The County Auditor had not designed or implemented proper segregation of duties related to receipts to ensure all receipts were posted to the ledger.

The County Auditor's office had not designed or implemented effective controls over disbursements to prevent, or detect and correct, material misstatements. The Payroll Clerk processes, posts, and distributes payroll, without a documented oversight, review or approval process, or other compensating control in place to ensure that payroll was processed and/or submitted accurately.

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  
JENNINGS COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**RECONCILIATION OF TREASURER'S MONTHLY FINANCIAL STATEMENT  
AND AUDITOR'S MONTHLY FINANCIAL STATEMENT**

Reconcilements were not made between the County Treasurer's Monthly Financial Statement, Form 61, and the County Auditor's Monthly Financial Statement, Form 61 for the audit period.

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 Auditors of Indiana, Chapter 1)

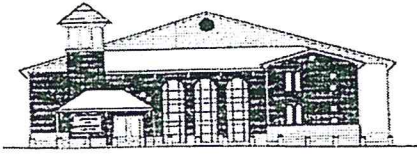
**OVERDRAWN CASH BALANCES**

The same comment appeared in prior Reports B45649 and B47732.

The financial statement presented in the Financial Statement Audit Report of the County included the following funds with overdrawn cash balances at December 31, 2015.

Fund	Amount Overdrawn
Animal Control	\$ 74,769
Identity Theft Protection	6
Tax Sale Costs	33,674
Tax Sale Redemption	4,490
GAL/CASA	46,121
Payroll FICA	16,871
Payroll State Tax Withholding	7,102
SC Garnishee Service Fee	800
CVET	35,784
Court Security	34,414
County Misdemeanant Fund	602
North Vernon Sewer	2,957
Carnegie Library Plan Grant	475
EMS HSCP Grant	7,853

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)



Jennings County Government Center  
200 East Brown Street, Vernon, IN 47282

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*Auditor of Jennings County*  
200 East Brown Street  
P.O. Box 383  
Vernon, IN 47282  
Phone: (812) 352-3021 Fax: (812) 352-3032

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November 27, 2018

Official Response for Examination Period 1/1/15 to 12/31/15

When I took office in January 2015, I was faced with many issues left behind from the previous administration. The County had in place a financial advisor firm who was overseeing the running of the Auditor's office and being new to the office I welcomed the help and instruction given to me. As time went on though it started to be apparent that they also didn't want to train or teach me the duties of my office. My staff and I followed their instructions and tried to pick up and learn on our own. We called other auditor offices and met with them to help us learn the flow and procedures needed to run the office. I know this sounds like an excuse but I trusted the firm to carry through with their promise of teaching us. My claims deputy and payroll deputy and I did the best we could with the situation we came into and internal controls were just not feasible at this time. Overdrawn Cash Balances and Cash Book and Bank Reconciliations were not being addressed. The Treasurer and the Auditor were not balancing as instructed by the SBOA.

Since 2015 we have made great strides in internal control and cross training. There are at least two people signing off on any transaction and the Auditor signs off on all claims. We do a monthly comparison report showing that we balance with the Treasurer.

Thank you.

*Kay Sue Vance*  
*Jennings Co. Auditor*

COUNTY AUDITOR  
JENNINGS COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 19, 2018, with Kay S. Vance, County Auditor; Matt Sporleder, President of the Board of County Commissioners; and Dave Woodall, Vice President of the County Council.

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COUNTY TREASURER  
JENNINGS COUNTY

COUNTY TREASURER  
JENNINGS COUNTY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

A similar comment also appeared in the prior Report B47705, entitled *FINDING 2014-002 - FINANCIAL TRANSACTIONS AND REPORTING - COUNTY TREASURER*.

The County Treasurer had not established an adequate internal control structure related to financial transactions and reporting. There was a lack of adequate segregation of duties as the County had not separated incompatible activities related to receipts, cash and investments, and reporting of the financial transactions.

The County Treasurer had not designed or implemented proper segregation of duties related to receipts and cash and investments. One employee was responsible for preparing the daily deposits, daily cash book postings, and reconciling the Cash Book to the County Treasurer's funds ledger. Bank reconciliations were not prepared for the audit period. The process was completed without a documented oversight, review or approval process, or other compensating control in place to ensure accuracy.

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. . . ."

**INTERNAL CONTROLS OVER SUPPLEMENTAL CAR-1 REPORT**

The County Treasurer had not designed or implemented proper segregation of duties related to financial transactions and reporting. The County Treasurer prepared and submitted the Supplemental CAR-1 report, which was the source of the County Treasurer's Cash Book on the financial statement; however, the process was completed without a documented oversight, review or approval process, or other compensating control in place to ensure that information was submitted accurately.

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 TREASURER  
JENNINGS COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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**CASH BOOK AND BANK RECONCILIATIONS**

A similar comment appeared in prior Report B47705, entitled *CASH BOOK AND BANK RECONCILIATIONS*.

There was a lack of internal controls over the recording of transactions to the Cash Book and the depository reconciliations of the fund balances to the bank account balances. The following issues were identified:

1. Cash short or cash long entries were recorded in the Cash Book indicating a difference between the ending balance of the taxes, other sources, funds and investments, when compared to the ending depository balances. Various cash short and cash long entries during the year did not include documentation of why these entries existed. The net effect of the cash short and cash long amount at December 31, 2015, was \$831,220. As of November 19, 2018, the cash short and cash long amount was \$0.
2. From January 1, 2015 through December 31, 2015, no bank reconciliations of the bank statement balances to the County Treasurer's Daily Balance of Cash and Depositories (Cash Book) balances were prepared.

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."

Indiana Code 5-13-5-1(a) states:

"Every public officer who receives or distributes public funds shall:

- (1) keep a cashbook into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cashbook daily to show funds on hand at the close of each day."

COUNTY TREASURER  
JENNINGS COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

***RECONCILIATION OF TREASURER'S MONTHLY FINANCIAL STATEMENT  
AND AUDITOR'S MONTHLY FINANCIAL STATEMENT***

Reconcilements were not made between the County Treasurer's Monthly Financial Statement, Form 61, and the County Auditor's Monthly Financial Statement, Form 61 for the audit period.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should 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  
JENNINGS COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 19, 2018, with Kathryn Shepherd, County Treasurer; Matt Sporleder, President of the Board of County Commissioners; and Dave Woodall, Vice President of the County Council.

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CLERK OF THE CIRCUIT COURT  
JENNINGS COUNTY

CLERK OF THE CIRCUIT COURT  
JENNINGS COUNTY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

A similar comment also appeared in the prior Report B47705, entitled *FINDING 2014-004 - FINANCIAL TRANSACTIONS AND REPORTING - CLERK OF THE CIRCUIT COURT*.

The Clerk of the Circuit Court (Clerk) had not established an adequate internal control structure related to financial transactions and reporting. There was a lack of adequate segregation of duties as the County had not separated incompatible activities related to receipts, disbursements, cash and investments, and reporting of the financial transactions.

The Clerk had not designed or implemented proper segregation of duties related to receipts, disbursements, and cash and investments. One employee received money, issued official receipts, prepared bank deposits, posted receipts, approved adjustments, prepared, processed, and distributed checks and was responsible for reconciling monthly trust activity. The process was completed without a documented oversight, review or approval process, or other compensating control in place to ensure accuracy.

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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**INTERNAL CONTROLS OVER SUPPLEMENTAL CAR-1 REPORT**

The Clerk had not designed or implemented proper segregation of duties related to financial reporting. The Clerk prepared and submitted the Supplemental CAR-1 report, which was the source of the Clerk's Trust on the financial statement; however, the process was completed without a documented oversight, review or approval process, or other compensating control in place to ensure that information was submitted accurately.

CLERK OF THE CIRCUIT COURT  
JENNINGS COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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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**BANK RECONCILIATIONS**

There was a lack of internal controls over the recording of transactions to the Clerk's ledger and the depository reconciliations of the fund balances to the bank account balances. From January 1, 2015 through December 31, 2015, no bank reconciliations of the bank statement balances to the Clerk's ledger or accounting software balances were prepared.

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."

CLERK OF THE CIRCUIT COURT  
JENNINGS COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 15, 2018, with Mary Dorsett Kilgore,  
Clerk of the Circuit Court.