

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ORANGE COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED
06/28/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Lonnie Stroud	01-01-17 to 12-31-20
County Treasurer	Billie Deel	01-01-17 to 12-31-20
Clerk of the Circuit Court	Beth Jones	01-01-17 to 12-31-20
County Sheriff	Joshua Babcock	01-01-15 to 12-31-22
County Recorder	Sandy Hill	01-01-17 to 12-31-20
President of the Board of County Commissioners	Richard W. Dixon	01-01-18 to 12-31-19
President of the County Council	Robin Stackhouse Matt Henderson	01-01-18 to 12-31-18 01-01-19 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF ORANGE COUNTY, INDIANA

This report is supplemental to our audit report of Orange County (County), for the period from January 1, 2018 to December 31, 2018. 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 Finding identified in the above referenced audit report, is included in this report.

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

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

May 14, 2019

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CLERK OF THE CIRCUIT COURT
ORANGE COUNTY

CLERK OF THE CIRCUIT COURT
ORANGE COUNTY
FEDERAL FINDING

FINDING 2018-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition

The Clerk of the Circuit Court (Clerk) had not established an adequate internal control system related to financial transactions and reporting. The Clerk had not separated incompatible activities related to receipts and disbursements. One person was responsible for collecting money, preparing receipts, preparing the bank deposit, depositing the funds, and posting transactions to the ledger. Additionally, the same person was responsible for all steps within the disbursements process, including preparing and mailing checks and posting disbursements to the ledger. There were no independent review, oversight, or approval processes in place over the receipting and disbursing functions to ensure proper reporting in the Clerk's financial reporting system.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period.

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.

CLERK OF THE CIRCUIT COURT
ORANGE COUNTY
FEDERAL FINDING
(Continued)

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 had not established a proper system of internal controls to ensure proper reporting of receipts and disbursements.

Effect

The failure to establish a system of internal controls could have enabled misstatements of the receipts and disbursements within the financial reporting system of the Clerk to occur and remain undetected.

Recommendation

We recommended that the Clerk establish a system of internal controls related to financial transactions and reporting to ensure proper reporting of receipts and disbursements.

Views of Responsible Officials

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

BETH JONES
ORANGE CIRCUIT COURT CLERK
1 COURT STREET
PAOLI, IN 47454
812 723-2649
812 723-0239
countyclerk@co.orange.in.us

CORRECTIVE ACTION PLAN

Finding 2018-001

Contact Person Responsible for Corrective Action: Beth Jones
Contact Phone Number: 812 723-2649

Views of Responsible Official: I concur with the finding

Description of Corrective Action Plan:

The Clerk has established the following internal controls process for daily deposits. Employees alternate preparing the daily deposits. One employee prepares it, and another employee reviews the deposit, initials the deposit, and delivers the deposit to the bank. The Clerk has also established the following internal controls for checks that are printed and mailed daily. The bookkeeper prints the daily check register reports for Odyssey and for ISETS and the Clerk reviews them and signs off on them daily.

Anticipated Completion Date:

We did not have enough time after our previous audit to implement the changes for this audit period; but, these processes have been implemented beginning January 2, 2019.

Beth Jones
Signature

Clerk
Title

4-29-19
Date

CLERK OF THE CIRCUIT COURT
ORANGE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 14, 2019, with Beth Jones, Clerk of the Circuit Court; Richard W. Dixon, President of the Board of County Commissioners; and John R. McDonald, County Council member.