

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

JAY COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED
09/11/2019

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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 12-31-22
County Treasurer	Paula Miller	01-01-17 to 12-31-20
Clerk of the Circuit Court	Jon Eads	01-01-17 to 12-31-20
County Sheriff	Dwane Ford	01-01-15 to 12-31-22
County Recorder	Betty St. Myers	01-01-15 to 12-31-22
President of the Board of County Commissioners	Richard L. Huffman	01-01-18 to 12-31-19
President of the County Council	Jeanne Houchins	01-01-18 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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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, 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 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

July 31, 2019

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COUNTY TREASURER
JAY COUNTY

COUNTY TREASURER
JAY COUNTY
FEDERAL FINDING

FINDING 2018-001

Subject: Financial Transactions and Reporting - County Treasurer
Audit Finding: Material Weakness

Condition

There were deficiencies in the internal control system of the County Treasurer's office related to financial transactions and reporting of receipts.

The County Treasurer's office had not separated incompatible activities related to receipts. There were several instances wherein the staff member of the County Treasurer's office that counted the cash drawer was also the same person that prepared the deposit and took it to the bank. Additionally, there were several instances wherein the employee that counted the cash drawer was the same person responsible for balancing the cash with the daily reports and recording the cash in the financial records.

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.

COUNTY TREASURER
JAY 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

Management of the County had not established a proper system of internal control to ensure proper financial transactions and reporting related to receipts.

Effect

The failure to establish a system of internal controls could have enabled material misstatements or irregularities to remain undetected.

Recommendation

We recommended that the County's management establish a system of internal controls related to the County Treasurer's financial transactions.

Views of Responsible Officials

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

JAY COUNTY TREASURER

120 North Court St. Ste. 203 • Portland, IN 47371

Phone: (260) 726-7007 • Fax: (260) 726-6973 • <http://www.jaycounty.net>

CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Paula Miller
Contact Phone Number: 260-726-7007

Views of Responsible Official: We are in agreement with the finding.

Description of Corrective Action Plan: Corrective actions were immediately put into place to remedy any internal control issues. Each office member now performs a duty concerning the daily deposit and counting of the money, instead of one person doing possibly more than one of the jobs pertaining to the daily money.

Anticipated Completion Date: 07-31-2019

Paula Miller
(Signature)

Treasurer
(Title)

7-31-19
(Date)

COUNTY TREASURER
JAY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 31, 2019, with Anna M. Culy, County Auditor; Paula Miller, County Treasurer; Jeanne Houchins, President of the County Council; Richard L. Huffman, President of the Board of County Commissioners; Chad Aker, Vice President of the Board of County Commissioners; and Mike Leonhard, County Commissioner.

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COUNTY HOME
JAY COUNTY

COUNTY HOME
JAY COUNTY
FEDERAL FINDING

FINDING 2018-002

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

Repeat

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-002.

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, over the financial transactions or bank reconcilements.

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 monies received. Receipts were not issued on many occasions for money received from garage sales, group purchasing rebates, donations, and rental of farm ground.
- The County Home maintains the personal spending money for residents without retaining documentation for amounts spent on behalf of the residents. Monies spent on behalf of the residents include amounts paid to Walmart, Jay County Hospital, Bluffton Physicians, and various other medical facilities.
- Proper documentation to support the financial information provided to the County Auditor for submission in the County's Annual Financial Report was not provided for audit.
- The County Home did not maintain a General Ledger of financial activity.
- Bank reconcilements were not performed for the County Home to reconcile the balance of public funds with the balance on the bank statements provided by its financial institution during the audit period.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period.

COUNTY HOME
JAY COUNTY
FEDERAL FINDING
(Continued)

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. . . ."

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 Manual for Counties of Indiana, Chapter 1)

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)

COUNTY HOME
JAY COUNTY
FEDERAL FINDING
(Continued)

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

". . . (c) . . . all local officers, except township trustees, 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 several local boards of finance that have jurisdiction of the funds. . . .

(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 Plan that is part of this report.

Jay County Commissioners

Richard L. Huffman, Mike Leonhard, Chad Aker

120 North Court Street

Portland, IN 47371

Phone (260) 726-7575 Fax (260) 726-6933

CORRECTIVE ACTION PLAN

FINDING 2018-002


Contact Person Responsible for Corrective Action: Melodi Haley, county home financial coordinator; Jay County Commissioners

Contact Phone Number: 260-726-7575

Views of Responsible Official: Without further investigation, we do not contest the findings.

Description of Corrective Action Plan: Experienced Financial Coordinator just hired who will be establishing proper procedures to address each of the individual items sited in the examination; will engage a consultant (*i.e.* CPA, or former public official) to review such established procedures to test if they are compliant with SBOA requirements and Indiana Code who will report directly to the Commissioners; will provide for training of additional employees in these procedure for at least two additional employees to be well versed in how to properly maintain records and processes for redundancy and backup.

Anticipated Completion Date: All necessary changes and training will be done within six months or January 31, 2020.



(Signature)

PRESIDENT, JAY Co. COMMISSIONERS

(Title)

7/31/2019

(Date)

COUNTY HOME
JAY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 31, 2019, with Anna M. Culy, County Auditor; Amanda Cox, Superintendent of the County Home; Jeanne Houchins, President of the County Council; Richard L. Huffman, President of the Board of County Commissioners; Chad Aker, Vice President of the Board of County Commissioners; Mike Leonhard, County Commissioner; and Melodi S. Haley, Financial Coordinator of the County Home.