

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NEWTON COUNTY, INDIANA

January 1, 2018 to December 31, 2018



**FILED**  
12/30/2019



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
County Auditor:	
Federal Findings:	
Finding 2018-001	
Financial Transactions and Reporting .....	6-8
Finding 2018-002	
Economic Development Cluster - Internal Controls .....	8-9
Finding 2018-003	
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - Internal Controls .....	10-11
Corrective Action Plan .....	12-14
Audit Results and Comments:	
Timely Recording .....	15
Approval of Claims .....	15
Exit Conference .....	16
County Treasurer:	
Federal Finding:	
Finding 2018-001	
Financial Transactions and Reporting .....	18-20
Corrective Action Plan .....	21
Audit Results and Comments:	
Bank Account Reconciliations .....	22
Timely Recording .....	22
Exit Conference .....	23
Clerk of the Circuit Court:	
Federal Finding:	
Finding 2008-001	
Financial Transactions and Reporting .....	26-28
Corrective Action Plan .....	29
Exit Conference .....	30
Board of County Commissioners:	
Federal Finding:	
Finding 2018-001	
Financial Transactions and Reporting .....	32-34
Corrective Action Plan .....	35
Audit Results and Comments:	
Adoption and Training of Internal Control Standards .....	36
Approval of Claims .....	36
Exit Conference .....	37

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Sharon Dewing Tamra Jackson	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Treasurer	Diane Veld Teri Knowles	01-01-17 to 02-08-19 02-09-19 to 12-31-20
Clerk of the Circuit Court	Janice Wilson Jessica Firkins	01-01-17 to 12-31-18 01-01-19 to 12-31-20
County Sheriff	Thomas VanVleet	01-01-15 to 12-31-22
President of the Board of County Commissioners	Tim Drenth	01-01-18 to 12-31-19
President of the County Council	Scott Carlson	01-01-18 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF NEWTON COUNTY, INDIANA

This report is supplemental to our audit report of Newton 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 and Audit Results and Comments 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/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

December 19, 2019

(This page intentionally left blank.)

COUNTY AUDITOR  
NEWTON COUNTY

COUNTY AUDITOR  
NEWTON COUNTY  
FEDERAL FINDINGS

***FINDING 2018-001***

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Condition*

There were several deficiencies in the internal control system of the County related to financial transactions and reporting. The County had not separated incompatible activities related to all areas of the financial statement, including cash and investments, receipts, and disbursements.

The County did not have adequate processes or procedures in place to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting would have required the County to monitor and assess the quality of the system of internal controls.

*Cash and Investments - County Treasurer*

The County Treasurer reconciled the record balances to the depository balances without a system of oversight or review.

*Receipts - County Treasurer*

Separate employees prepared the receipts for deposit, made the deposits, and completed a daily collections report without a system of oversight, review, or approval.

*Receipts - County Auditor*

Receipts were issued, recorded, and submitted to the County Treasurer for deposit without evidence of a proper segregation of duties. There was no documented oversight, review, or approval process in place to ensure the accuracy and classification of receipts to the proper funds and accounts.

*Vendor Disbursements*

One employee prepared the claims, verified the invoices to the claims, prepared the checks, and recorded the disbursements without evidence of a proper segregation of duties. The County had not established a documented oversight, review, or approval process to ensure that vendors were paid the correct amount and were paid from the proper fund.

*Payroll Disbursements*

One employee prepared and recorded the payroll claims, prepared the direct deposits, and checks for disbursement without evidence of a proper segregation of duties. The County had not established a documented oversight, review, or approval process to ensure that employees were paid the correct amount and were paid from the proper fund.

COUNTY AUDITOR  
NEWTON COUNTY  
FEDERAL FINDINGS  
(Continued)

*Cash and Investments, Receipts, Disbursements,  
Financial Reporting - Clerk of the Circuit Court*

The Clerk of the Circuit Court prepared and reconciled the record balances with the depository balances without a system of oversight or review. Receipts and disbursements were recorded and processed without a proper system of oversight or review to ensure that they were recorded to the proper account and disbursed to the proper vendor. The Supplemental Annual Financial Report, which was included in the County Annual Financial Report, was prepared and submitted to the County Auditor without a system of oversight or review.

*Monitoring*

The Board of County Commissioners had not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibilities placed the County at risk that controls may not be properly designed or operating effectively to provide reasonable assurance that the controls will prevent or detect material misstatements in the financial statements in a timely manner.

*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.

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. An evaluation of the County's system of internal control had not been conducted.

COUNTY AUDITOR  
NEWTON COUNTY  
FEDERAL FINDINGS  
(Continued)

*Effect*

The failure to establish a system of internal control could have enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

*Recommendation*

We recommended that the County establishes a system of internal controls related to financial transactions and reporting.

*Views of Responsible Officials*

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

**FINDING 2018-002**

Subject: Economic Development Cluster - Internal Controls

Federal Agency: Department of Commerce

Federal Program: Investments for Public Works and Economic Development Facilities

CFDA Number: 11.300

Federal Award Number and Year (or Other Identifying Number): EDA06-01-06080

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, Special Tests and Provisions - Wage Rate Requirements

Audit Finding: Material Weakness

*Condition*

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the compliance requirements listed above.

*Activities Allowed or Unallowed*

The County had not designed or implemented adequate policies or procedures to ensure that activities paid from grant funds were allowable. There was no review or approval over the disbursements prior to payment.

*Allowable Costs/Cost Principles*

The County had not designed or implemented adequate policies or procedures to ensure that costs paid from grant funds were allowable. There was no review or approval over the disbursements prior to payment.

*Period of Performance*

The County had not designed or implemented adequate policies or procedures to ensure that expenditures were made within the period of performance. There was no review or approval over the disbursements prior to payment.

COUNTY AUDITOR  
NEWTON COUNTY  
FEDERAL FINDINGS  
(Continued)

*Special Tests and Provisions - Wage Rate Requirements*

The County had not designed or implemented adequate policies or procedures to ensure that contractors or subcontractors submitted certified payrolls weekly. There was no oversight, review, or approval process.

*Context*

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

Management had not developed a system of internal controls to ensure compliance with the grant agreement and the compliance requirements listed above.

*Effect*

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the County's management establish a system of internal controls related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, and Special Tests and Provisions - Wage Rate Requirements compliance requirements.

*Views of Responsible Officials*

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

COUNTY AUDITOR  
NEWTON COUNTY  
FEDERAL FINDINGS  
(Continued)

**FINDING 2018-003**

Subject: Community Development Block Grants/State's Program  
and Non-Entitlement Grants in Hawaii - Internal Controls  
Federal Agency: Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/State's program  
and Non-Entitlement Grants in Hawaii  
CFDA Number: 14.228  
Federal Award Number and Year (or Other Identifying Number): DR2-09-290  
Pass-Through Entity: Indiana Office of Community and Rural Affairs  
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles,  
Cash Management, Period of Performance, Special Tests and  
Provisions - Wage Rate Requirements  
Audit Finding: Material Weakness

*Condition*

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the compliance requirements listed above.

*Activities Allowed or Unallowed*

The County had not designed or implemented adequate policies or procedures to ensure that activities paid with grant funds were allowable. There was no review or approval over the disbursements prior to payment.

*Allowable Costs/Cost Principles*

The County had not designed or implemented adequate policies or procedures to ensure that costs paid with grant funds were allowable. There was no review or approval over the disbursements prior to payment.

*Cash Management*

The County had not designed or implemented adequate policies or procedures to ensure that grant funds received were disbursed within the required number of days. There was no oversight, review, or approval over the cash management requirements.

*Period of Performance*

The County had not designed or implemented adequate policies or procedures to ensure that expenditures were made within the period of performance. There was no review or approval over the disbursements prior to payment.

*Special Tests and Provisions- Wage Rate Requirements*

The County had not designed or implemented adequate policies or procedures to ensure that contractors or subcontractors submitted certified payrolls weekly. There was no oversight, review, or approval process.

COUNTY AUDITOR  
NEWTON COUNTY  
FEDERAL FINDINGS  
(Continued)

*Context*

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

Management had not developed a system of internal controls to ensure compliance with the grant agreement and the compliance requirements listed above.

*Effect*

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the County's management establish a system of internal controls related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Performance, and Special Tests and Provisions - Wage Rate Requirements compliance requirements.

*Views of Responsible Officials*

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

NEWTON COUNTY AUDITOR  
TAMRA M JACKSON  
201 N THIRD STREET  
KENTLAND, IN 47951  
Tel: (219) 474-6081  
tjackson@newtoncounty.in.gov

CORRECTIVE ACTION PLAN

**FINDING 2018-001**

Contact Person Responsible for Corrective Action: Tamra M Jackson, County Auditor:  
Contact Phone Number: (219) 474-6081 Ext. 1204

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Receipts – County Auditor: When there is a check receipted we take the quietus to the Treasurer to verify and sign the quietus, confirm the amount being entered.


Vendor Disbursement – County Auditor: claims, I have one person preparer and I have my first deputy or I verify after they are entered in, there is an adding to tape to confirm total. When also a disbursement the Commissioner's sign and verify on everything at the meetings.

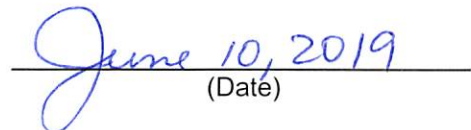
Payroll Disbursements – County Auditor: payroll clerk enters the time keeping, I verify with system and payroll vouchers to confirm totals.

Anticipated Completion Date:

All of this is in place as of June 1, 2019. As soon as the Auditor's brought these matters to my attention, action was taken immediately.

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

NEWTON COUNTY AUDITOR  
TAMRA M JACKSON  
201 N THIRD STREET  
KENTLAND, IN 47951  
Tel: (219) 474-6081  
tjackson@newtoncounty.in.gov

CORRECTIVE ACTION PLAN

**FINDING 2018-002**

Contact Person Responsible for Corrective Action: Tamra M Jackson, County Auditor:  
Contact Phone Number: (219) 474-6081 Ext. 1204

Views of Responsible Official: We concur with the finding


Description of Corrective Action Plan:

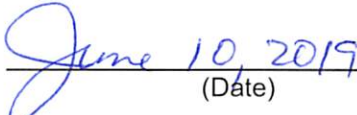
The County will insure that all claims for disbursements will be listed on the claim docket presented to the county commissioners and Auditor for approval prior to payment. The County will work with its grant administrator to review at random selected certified payrolls quarterly to insure that payrolls were submitted weekly and followed appropriate wage rates.

Anticipated Completion Date:

All of this is in place as of June 1, 2019. As soon as the Auditor's brought these matters to my attention, action was taken immediately.

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

NEWTON COUNTY AUDITOR  
TAMRA M JACKSON  
201 N THIRD STREET  
KENTLAND, IN 47951  
Tel: (219) 474-6081  
tjackson@newtoncounty.in.gov

CORRECTIVE ACTION PLAN

**FINDING 2018-003**

Contact Person Responsible for Corrective Action: Tamra M Jackson, County Auditor:  
Contact Phone Number: (219) 474-6081 Ext. 1204

Views of Responsible Official: We concur with the finding

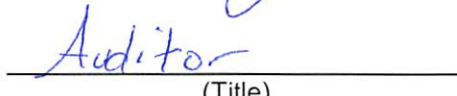
Description of Corrective Action Plan:

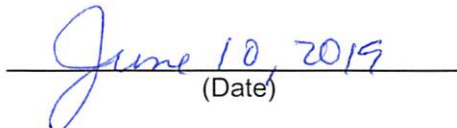
The County will insure that all claims for disbursements will be listed on the claim docket presented to the county commissioners for approval prior to payment. To ensure that grant funds received are disbursed within the allocated timeline, the County will check for bank deposits daily once a claim is submitted for payment. The County will work with its grant administrator to review at random selected certified payrolls quarterly to insure that payrolls were submitted weekly and followed appropriate wage rates.

Anticipated Completion Date:

All of this is in place as of June 1, 2019. As soon as the Auditor's brought these matters to my attention, action was taken immediately.

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

COUNTY AUDITOR  
NEWTON COUNTY  
AUDIT RESULTS AND COMMENTS

**TIMELY RECORDING**

The same comment also appeared in the prior Report B54206.

The County received distributions electronically from the Auditor of State. The distributions were recorded in the records of the County Auditor and Treasurer's Daily Cash Book eight days after receipt of funds for 10 percent of the distributions examined.

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 County Auditors of Indiana, Chapter 1)

**APPROVAL OF CLAIMS**

The same comment also appeared in the prior Report B54206.

15

The County made disbursements to vendors without approval from the Board of County Commissioners and the County Auditor. The unapproved disbursements were paid from the Local Tax Distribution fund, CVET-Commercial Vehicle Excise fund, Financial Institution fund, George Ade Medicare fund, Fair Oaks Farms–KIRPC OCRA fund, and Fair Oaks Farms–KIRPC -EDA funds.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . . .

(4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and

(5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Prior to submission to the board of county commissioners, all claims or vouchers must be entered in claim number order in the Accounts Payable Register, General Form No. 364 (1996). This is a looseleaf form and contains columns to show the date each claim or voucher was filed, the claim or voucher number, the name of the claimant, the office, department or fund, the amount of the claim or voucher, the amount allowed and the warrant number. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 8)

Officials and employees are required to use prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR  
NEWTON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 19, 2019, with Tamra Jackson, County Auditor; Tim Drenth, President of the Board of County Commissioners; and Michael Mark, County Council member.

COUNTY TREASURER  
NEWTON COUNTY

COUNTY TREASURER  
NEWTON COUNTY  
FEDERAL FINDING

***FINDING 2018-001***

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Condition*

There were several deficiencies in the internal control system of the County related to financial transactions and reporting. The County had not separated incompatible activities related to all areas of the financial statement, including cash and investments, receipts, and disbursements.

The County did not have adequate processes or procedures in place to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting would have required the County to monitor and assess the quality of the system of internal controls.

*Cash and Investments - County Treasurer*

The County Treasurer reconciled the record balances to the depository balances without a system of oversight or review.

*Receipts - County Treasurer*

Separate employees prepared the receipts for deposit, made the deposits, and completed a daily collections report without a system of oversight, review, or approval.

*Receipts - County Auditor*

Receipts were issued, recorded, and submitted to the County Treasurer for deposit without evidence of a proper segregation of duties. There was no documented oversight, review, or approval process in place to ensure the accuracy and classification of receipts to the proper funds and accounts.

*Vendor Disbursements*

One employee prepared the claims, verified the invoices to the claims, prepared the checks, and recorded the disbursements without evidence of a proper segregation of duties. The County had not established a documented oversight, review, or approval process to ensure that vendors were paid the correct amount and were paid from the proper fund.

*Payroll Disbursements*

One employee prepared and recorded the payroll claims, prepared the direct deposits, and checks for disbursement without evidence of a proper segregation of duties. The County had not established a documented oversight, review, or approval process to ensure that employees were paid the correct amount and were paid from the proper fund.

COUNTY TREASURER  
NEWTON COUNTY  
FEDERAL FINDING  
(Continued)

*Cash and Investments, Receipts, Disbursements,  
Financial Reporting - Clerk of the Circuit Court*

The Clerk of the Circuit Court prepared and reconciled the record balances with the depository balances without a system of oversight or review. Receipts and disbursements were recorded and processed without a proper system of oversight or review to ensure that they were recorded to the proper account and disbursed to the proper vendor. The Supplemental Annual Financial Report, which was included in the County Annual Financial Report, was prepared and submitted to the County Auditor without a system of oversight or review.

*Monitoring*

The Board of County Commissioners had not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibilities placed the County at risk that controls may not be properly designed or operating effectively to provide reasonable assurance that the controls will prevent or detect material misstatements in the financial statements in a timely manner.

*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.

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 TREASURER  
NEWTON COUNTY  
FEDERAL FINDING  
(Continued)

*Cause*

Management of the County had not established a proper system of internal control. An evaluation of the County's system of internal control had not been conducted.

*Effect*

The failure to establish a system of internal control could have enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

*Recommendation*

We recommended that the County establishes a system of internal controls related to financial transactions and reporting.

*Views of Responsible Officials*

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



**NEWTON COUNTY TREASURER**

TERI KNOWLES

**CORRECTIVE ACTION PLAN**

FINDING 2018-001

Contact Person Responsible for Corrective Action: Teri Knowles

Contact Phone Number: (219) 474-6081 ext 1302

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

With being a 2 man office and having the requirements for the County/ State, and deadlines required by both. I and my employer will do the best we can to double check the work that is required by State when reconciling the record balances to the depository balances. A system, somewhat, with the amount of time will be reviewed and initialed.

I have taken over the previous Treasurer position this year. I have already set up the system of the deputy preparing the receipts for deposit and making the bank deposits. Then, I the Treasurer complete the daily collection report with applying the daily cash sheet and monthly depository balance for State.

Anticipated Completion Date: 6/11/2019

  
\_\_\_\_\_  
(Signature)  
  
\_\_\_\_\_  
(Title)  
  
\_\_\_\_\_  
(Date)

**NEWTON COUNTY COURTHOUSE**

COUNTY TREASURER  
NEWTON COUNTY  
AUDIT RESULTS AND COMMENTS

**BANK ACCOUNT RECONCILIATIONS**

The same comment appeared in the prior Reports B49053 and B54206.

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the County's main bank account did not reconcile with the County Treasurer's records. The differences on the reconcilements ranged between \$31,214 cash short to \$15,289 cash long during the audit period. Additional errors were noted on the reconciliations at December 31, 2018, including:

1. A check for \$150 recorded in December 2018 that did not clear the bank in December 2018, but was not listed on the outstanding check list.
2. A \$200,000 investment was redeemed and recorded twice in the Treasurer's Daily Cash Book in December 2018, but was not reconciled or corrected as of May 2019.
3. A \$91,463 transfer was incorrectly subtracted from the bank balance instead of being added.

The County Treasurer had not included or reconciled three bank accounts. The PERF Electronic Funds Transfers (EFTs) for retirement payments, EFTs for federal payroll taxes, and the HRA Health Insurance Account related to payments on health claims were not included in the County Treasurer's Daily Cash Book.

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)

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 County Treasurers of Indiana, Chapter 1)

**TIMELY RECORDING**

The same comment also appeared in the prior Report B54206.

The County received distributions electronically from the Auditor of State. The distributions were recorded in the records of the County Auditor and County Treasurer's Daily Cash Book eight days after receipt of funds for 10 percent of the distributions examined.

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 County Treasurers of Indiana, Chapter 1)

COUNTY TREASURER  
NEWTON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 19, 2019, with Teri Knowles, County Treasurer; Tim Drenth, President of the Board of County Commissioners; and Michael Mark, County Council member.

(This page intentionally left blank.)

CLERK OF THE CIRCUIT COURT  
NEWTON COUNTY

CLERK OF THE CIRCUIT COURT  
NEWTON COUNTY  
FEDERAL FINDING

***FINDING 2018-001***

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Condition*

There were several deficiencies in the internal control system of the County related to financial transactions and reporting. The County had not separated incompatible activities related to all areas of the financial statement, including cash and investments, receipts, and disbursements.

The County did not have adequate processes or procedures in place to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting would have required the County to monitor and assess the quality of the system of internal controls.

*Cash and Investments - County Treasurer*

The County Treasurer reconciled the record balances to the depository balances without a system of oversight or review.

*Receipts - County Treasurer*

Separate employees prepared the receipts for deposit, made the deposits, and completed a daily collections report without a system of oversight, review, or approval.

*Receipts - County Auditor*

Receipts were issued, recorded, and submitted to the County Treasurer for deposit without evidence of a proper segregation of duties. There was no documented oversight, review, or approval process in place to ensure the accuracy and classification of receipts to the proper funds and accounts.

*Vendor Disbursements*

One employee prepared the claims, verified the invoices to the claims, prepared the checks, and recorded the disbursements without evidence of a proper segregation of duties. The County had not established a documented oversight, review, or approval process to ensure that vendors were paid the correct amount and were paid from the proper fund.

*Payroll Disbursements*

One employee prepared and recorded the payroll claims, prepared the direct deposits, and checks for disbursement without evidence of a proper segregation of duties. The County had not established a documented oversight, review, or approval process to ensure that employees were paid the correct amount and were paid from the proper fund.

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

*Cash and Investments, Receipts, Disbursements,  
Financial Reporting - Clerk of the Circuit Court*

The Clerk of the Circuit Court prepared and reconciled the record balances with the depository balances without a system of oversight or review. Receipts and disbursements were recorded and processed without a proper system of oversight or review to ensure that they were recorded to the proper account and disbursed to the proper vendor. The Supplemental Annual Financial Report, which was included in the County Annual Financial Report, was prepared and submitted to the County Auditor without a system of oversight or review.

*Monitoring*

The Board of County Commissioners had not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibilities placed the County at risk that controls may not be properly designed or operating effectively to provide reasonable assurance that the controls will prevent or detect material misstatements in the financial statements in a timely manner.

*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.

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. . . ."

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

*Cause*

Management of the County had not established a proper system of internal control. An evaluation of the County's system of internal control had not been conducted.

*Effect*

The failure to establish a system of internal control could have enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

*Recommendation*

We recommended that the County establishes a system of internal controls related to financial transactions and reporting.

*Views of Responsible Officials*

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



# JESSICA FIRKINS

CLERK OF THE CIRCUIT AND SUPERIOR COURTS

201 North Third Street  
P.O. Box 49  
Kentland, IN 47951

Newton County Courthouse  
Phone: (219) 474-6081  
Fax: (219) 474-5749

## CORRECTIVE ACTION PLAN

### **FINDING 2018-001**

Contact Person Responsible for Corrective Action: Jessica Firkins:  
Contact Phone Number: 219-474-6081 ext 1100:

Views of Responsible Official: I concur with the findings.

Description of Corrective Action Plan: We will have someone prepare & someone review on each of these issues.

Anticipated Completion Date: By the end of the year.

Jessica Firkins  
(Signature)

Clerk  
(Title)

06/06/2019

CLERK OF THE CIRCUIT COURT  
NEWTON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 19, 2019, with Janice Wilson, former Clerk of the Circuit Court, and Jessica Firkins, Clerk of the Circuit Court.

The contents of this report were discussed on December 19, 2019, with Tim Drenth, President of the Board of County Commissioners, and Michael Mark, County Council member.

BOARD OF COUNTY COMMISSIONERS  
NEWTON COUNTY

BOARD OF COUNTY COMMISSIONERS  
NEWTON COUNTY  
FEDERAL FINDING

***FINDING 2018-001***

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Condition*

There were several deficiencies in the internal control system of the County related to financial transactions and reporting. The County had not separated incompatible activities related to all areas of the financial statement, including cash and investments, receipts, and disbursements.

The County did not have adequate processes or procedures in place to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting would have required the County to monitor and assess the quality of the system of internal controls.

*Cash and Investments - County Treasurer*

The County Treasurer reconciled the record balances to the depository balances without a system of oversight or review.

*Receipts - County Treasurer*

Separate employees prepared the receipts for deposit, made the deposits, and completed a daily collections report without a system of oversight, review, or approval.

*Receipts - County Auditor*

Receipts were issued, recorded, and submitted to the County Treasurer for deposit without evidence of a proper segregation of duties. There was no documented oversight, review, or approval process in place to ensure the accuracy and classification of receipts to the proper funds and accounts.

*Vendor Disbursements*

One employee prepared the claims, verified the invoices to the claims, prepared the checks, and recorded the disbursements without evidence of a proper segregation of duties. The County had not established a documented oversight, review, or approval process to ensure that vendors were paid the correct amount and were paid from the proper fund.

*Payroll Disbursements*

One employee prepared and recorded the payroll claims, prepared the direct deposits, and checks for disbursement without evidence of a proper segregation of duties. The County had not established a documented oversight, review, or approval process to ensure that employees were paid the correct amount and were paid from the proper fund.

BOARD OF COUNTY COMMISSIONERS  
NEWTON COUNTY  
FEDERAL FINDING  
(Continued)

*Cash and Investments, Receipts, Disbursements,  
Financial Reporting - Clerk of the Circuit Court*

The Clerk of the Circuit Court prepared and reconciled the record balances with the depository balances without a system of oversight or review. Receipts and disbursements were recorded and processed without a proper system of oversight or review to ensure that they were recorded to the proper account and disbursed to the proper vendor. The Supplemental Annual Financial Report, which was included in the County Annual Financial Report, was prepared and submitted to the County Auditor without a system of oversight or review.

*Monitoring*

The Board of County Commissioners had not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibilities placed the County at risk that controls may not be properly designed or operating effectively to provide reasonable assurance that the controls will prevent or detect material misstatements in the financial statements in a timely manner.

*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.

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. . . ."

BOARD OF COUNTY COMMISSIONERS  
NEWTON COUNTY  
FEDERAL FINDING  
(Continued)

*Cause*

Management of the County had not established a proper system of internal control. An evaluation of the County's system of internal control had not been conducted.

*Effect*

The failure to establish a system of internal control could have enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

*Recommendation*

We recommended that the County establishes a system of internal controls related to financial transactions and reporting.

*Views of Responsible Officials*

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

NEWTON COUNTY AUDITOR  
TAMRA M JACKSON  
201 N THIRD STREET  
KENTLAND, IN 47951  
Tel: (219) 474-6081  
tjackson@newtoncounty.in.gov

CORRECTIVE ACTION PLAN

**Finding 2018-001**

Contact Person Responsible for Corrective Action: Tamra M Jackson, County Auditor:  
Contact Phone Number: (219) 474-6081 Ext. 1204

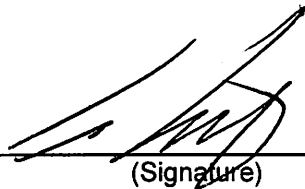
Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

The Board of Commissioners' will have a policy of internal controls in place. We will design and operate to provide reasonable assurance of the controls to detect material misstatements in the financial manner.

Anticipated Completion Date:

December 1, 2019

  
\_\_\_\_\_  
(Signature)

President Commissioner  
\_\_\_\_\_  
(Title)

June 11, 2019  
\_\_\_\_\_  
(Date)

BOARD OF COUNTY COMMISSIONERS  
NEWTON COUNTY  
AUDIT RESULTS AND COMMENTS

**ADOPTION AND TRAINING OF INTERNAL CONTROL STANDARDS**

The same comment also appeared in prior Reports B49053 and B54206.

The Board of County Commissioners did not adopt the minimum internal control standards and procedures or ensure that personnel were properly trained.

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."

**APPROVAL OF CLAIMS**

The same comment also appeared in the prior Report B54206.

The County made disbursements to vendors without approval from the County Commissioners and the County Auditor. The unapproved disbursements were paid from the Local Tax Distribution fund, CVET-Commercial Vehicle Excise fund, Financial Institution fund, George Ade Medicare fund, Fair Oaks Farms-KIRPC OCRA fund, and Fair Oaks Farms-KIRPC -EDA funds.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . . .

- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Officials and employees are required to use prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

BOARD OF COUNTY COMMISSIONERS  
NEWTON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 19, 2019, with Tim Drenth, President of the Board of County Commissioners, and Michael Mark, County Council member.