

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

JAY COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
11/24/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Anna Culy	01-01-19 to 12-31-20
County Treasurer	Paula Miller	01-01-19 to 12-31-20
Clerk of the Circuit Court	Jon Eads	01-01-19 to 12-31-20
County Sheriff	Dwane Ford	01-01-19 to 12-31-20
County Recorder	Betty St. Myers	01-01-19 to 12-31-20
President of the Board of County Commissioners	Richard L. Huffman	01-01-19 to 12-31-20
President of the County Council	Jeanne Houchins	01-01-19 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2019 to December 31, 2019. 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 opinions on the County's financial statement. This report may be found at 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 4, 2020

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COUNTY HOME
JAY COUNTY

COUNTY HOME
JAY COUNTY
AUDIT RESULT AND COMMENT

FINANCIAL TRANSACTIONS AND REPORTING - COUNTY HOME

A similar comment also appeared in prior Report B53288, entitled *FINDING 2018-002 - FINANCIAL TRANSACTIONS AND REPORTING - COUNTY HOME*.

Condition and Context

The County Home did not have a proper system of internal controls 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 maintained the personal spending money for residents without retaining documentation for amounts spent on behalf of the residents. Monies spent on behalf of the residents included amounts paid to pharmacies, financial institutions, medical facilities, television services, and other vendors.
- 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.
- The County Home did not maintain a Register of Trust funds.

The lack of controls and noncompliance were systemic issues 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 HOME
JAY COUNTY
AUDIT RESULT AND COMMENT
(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. . . ."

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)

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, 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). . . ."

COUNTY HOME
JAY COUNTY
AUDIT RESULT AND COMMENT
(Continued)

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."

COUNTY HOME
JAY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 4, 2020, with Anna Culy, County Auditor; Jeanne Houchins, President of the County Council; Richard L. Huffman, President of the Board of County Commissioners; Amy Barrett, County Council member; Chad Aker, County Commissioner; Paula Miller, County Treasurer; and Hope Confer, Director of the County Home.

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COUNTY TREASURER
JAY COUNTY

COUNTY TREASURER
JAY COUNTY
AUDIT RESULT AND COMMENT

FINANCIAL TRANSACTIONS AND REPORTING - COUNTY TREASURER

A similar comment also appeared in prior Report B53288, entitled *FINDING 2018-001 - FINANCIAL TRANSACTIONS AND REPORTING - COUNTY TREASURER*.

Condition and Context

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 separated incompatible activities related to receipts; however, the review process put in place was not properly implemented or documented.

The lack of documentation 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:

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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
JAY COUNTY
EXIT CONFERENCE

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