

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

NEWTON COUNTY, INDIANA

January 1, 2019 to December 31, 2019



**FILED**  
12/10/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Tamra Jackson	01-01-19 to 12-31-20
County Treasurer	Teri Knowles	01-01-19 to 12-31-20
Clerk of the Circuit Court	Jessica Firkins	01-01-19 to 12-31-20
County Sheriff	Thomas VanVleet	01-01-19 to 12-31-20
President of the Board of County Commissioners	Tim Drenth Kyle Conrad	01-01-19 to 12-31-19 01-01-20 to 12-31-20
President of the County Council	Scott Carlson	01-01-19 to 12-31-20



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF NEWTON COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of Newton County (County), for the year ended December 31, 2019, and the related notes to the financial statement, which collectively comprise the County's financial statement and have issued our report thereon dated November 12, 2020, wherein we noted the County followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America. The opinion to the financial statement relative to the regulatory basis of accounting was qualified due to the County's failure to properly maintain complete and accurate accounting records. The County did not account for all of the financial activity of the George Ade Memorial Healthcare Center (Healthcare Center). The financial activity of the Healthcare Center is accounted for in the George Ade Medicare fund. The County's records do not permit the application of other auditing procedures to ascertain if receipts, disbursements, and cash balances within the George Ade Medicare fund were fairly stated.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002.

***Newton County's Response to Findings***

The County's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we express no opinion on it.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

November 12, 2020, except for the Schedule of Expenditures  
of Federal Awards, for which the date is November 19, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

TO: THE OFFICIALS OF NEWTON COUNTY, INDIANA

**Report on Compliance for the Major Federal Program**

We have audited Newton County's (County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2019. The County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the County's compliance.

***Opinion on the Major Federal Program***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

**Report on Internal Control over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2019-003, that we consider to be material weaknesses.


The County's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statement of the County, as of and for the year ended December 31, 2019, and the related notes to the financial statement. We have issued our report thereon dated November 12, 2020, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and a qualified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting, because the County did not properly maintain complete and accurate accounting records. The County did not account for all financial activity of the George Ade Memorial Healthcare Center (Healthcare Center). The financial activity of the Healthcare Center is accounted for in the George Ade Medicare fund. The County's records do not permit the application of other auditing procedures to ascertain if receipts, disbursements, and cash balances within the George Ade Medicare fund were fairly stated. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.

  
Paul D. Joyce, CPA  
State Examiner

November 19, 2020

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the County. The schedule and notes are presented as intended by the County.

NEWTON COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<b>Department of Commerce</b>					
Economic Development Cluster Investments for Public Works and Economic Development Facilities Fair Oaks Farms-KIRPC EDA	Direct Grant	11.300	06-01-06080	\$ -	\$ 634,673
Total - Department of Commerce				-	634,673
<b>Department of Housing and Urban Development</b>					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii Fair Oaks Farms-KIRPC OCRA NC LV Stormwater Planning Grant	Indiana Office of Community and Rural Affairs	14.228	A192-18-DR2-09-290 A192-18-PL-18-007	- -	342,147 34,200
Total - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii				-	376,347
Total - Department of Housing and Urban Development				-	376,347
<b>Department of Justice</b>					
Equitable Sharing Program Equitable Sharing Prosecutor	Direct Grant	16.922	FY 2019	-	4,600
Total - Department of Justice				-	4,600
<b>Department of Transportation</b>					
Highway Planning and Construction Cluster Highway Planning and Construction Cumulative Bridge	Indiana Department of Transportation	20.205	DES # 1592162	-	117,838
Total - Highway Planning and Construction Cluster				-	117,838
Total - Department of Transportation				-	117,838
<b>Department of Health and Human Services</b>					
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Bio Terrorism Federal Grant	Indiana State Department of Health	93.074	12546775	-	37,643
Child Support Enforcement Landfill Clerk Perpetuation Prosecutor Title IV-D Incentive Clerk Title IV-D Incentive Usr/Infraction Referral Title IV-D Incentive Clerk Prosecutor Indirect Costs	Indiana Department of Child Services	93.563	FY 2019 FY 2019 FY 2019 FY 2019 FY 2019 FY 2019 FY 2019 FY 2019 FY 2019 FY 2019	- - - - - - - - - -	2,347 165 8,716 5,173 12,394 5,090 10,600 38,739 41,909
Total - Child Support Enforcement				-	125,133
Opioid STR Opioid STR	Indiana Family and Social Services Administration	93.788	FY 2019	-	6,171
Total - Department of Health and Human Services				-	168,947
<b>Department of Homeland Security</b>					
Disaster Grants - Public Assistance (Presidentially Declared Disasters) Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Indiana Department of Homeland Security	97.036	FY 2019	-	103,147
Homeland Security Grant Program 2017 SHSP Gant 2018 Homeland Security Grant	Indiana Department of Homeland Security	97.067	22962 29025	- -	150,000 15,000
Total - Homeland Security Grant Program				-	165,000
Total - Department of Homeland Security				-	268,147
Total federal awards expended				\$ -	\$ 1,570,552

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

NEWTON COUNTY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Summary of Significant Accounting Policies**

*A. Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 2019. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the County, it is not intended to and does not present the financial position of the County.

*B. Other Significant Accounting Policies*

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

**Note 2. Indirect Cost Rate**

The County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NEWTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Qualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Economic Development Cluster	Unmodified
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	no

**Section II - Financial Statement Findings**

**FINDING 2019-001**

Subject: Financial Transactions and Reporting  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-001.

*Condition and Context*

There were deficiencies in the internal control system of the County related to financial transactions and reporting. The County had not separated incompatible activities related to cash and investments and financial transactions and reporting.

NEWTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cash and Investments - County Treasurer*

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

*Financial Transactions and Reporting - County Auditor*

The County did not include all the receipts, disbursements, and cash balances of the George Ade Memorial Healthcare Center in the County's Annual Financial Report, which is the source of the financial statement. There was no system of oversight or review to ensure that all amounts were properly recorded on the financial statement.

*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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

*Cause*

Management of the County had not established a proper system of internal controls.

*Effect*

The failure to establish a proper system of internal controls enabled material misstatements and irregularities to remain undetected.

*Views of Responsible Officials*

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

NEWTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**FINDING 2019-002**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

*Condition and Context*

The County did not have an effective system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The County failed to properly review the federal grant information prepared and submitted in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the SEFA, for accuracy prior to submission. The financial manager prepared and submitted the SEFA in Gateway without an oversight or review process.

Due to the lack of controls, the following errors occurred on the SEFA presented for audit:

1. The Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii expenditures were understated by \$34,200.
2. The Highway Planning and Construction expenditures were overstated by \$139,022.
3. The Child Support Enforcement expenditures were overstated by \$10,349.
4. The Opioid STR was omitted, which understated expenditures by \$6,171.
5. The Disaster Grants - Public Assistance (Presidentially Declared Disasters) was omitted, which understated expenditures by \$103,147.
6. The Homeland Security Grant Program was omitted, which understated expenditures by \$165,000.

Audit adjustments were proposed, accepted by the County, and made to the SEFA presented in this report.

*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. . . .

NEWTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

*"Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

NEWTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

The County's management had not established a system of internal controls that would have ensured proper reporting of the SEFA.

*Effect*

The failure to establish and implement effective system of internal controls enabled material mis-statements to go undetected. The SEFA contained the errors identified in the *Condition and Context*.

*Views of Responsible Officials*

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

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2019-003**

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): 06-01-06080  
Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-002.

*Condition and Context*

An effective internal control system was not in place at the County to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

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 in place at the County to ensure that certified payrolls were received each week.

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

NEWTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*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*

The County's management had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement. A lack of segregation of duties within an internal control system could have enabled noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the County's management establish a system of internal controls, including segregation of duties, related to the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

*Views of Responsible Officials*

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

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#### AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the County. The documents are presented as intended by the County.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2018-001***

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: Improved internal control procedures for receipts and disbursements were put in place in 2019. Internal control procedures were put in place for the reconciliation of cash and investments in 2020.

**NEWTON COUNTY COURTHOUSE**

201 N THIRD STREET • KENT LAND, INDIANA 47951  
PHONE: (219) 474-6081 • (888) 663-9866 • FAX: (219) 474-9245  
E-MAIL: [tknowles@newtoncounty.in.gov](mailto:tknowles@newtoncounty.in.gov)

# NEWTON COUNTY AUDITOR

TAMRA M JACKSON  
201 N THIRD STREET  
KENTLAND IN 47951

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2018-001** (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: Corrected and put policies/procedures in place.



# NEWTON COUNTY AUDITOR

TAMRA M JACKSON  
201 N THIRD STREET  
KENTLAND IN 47951

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2018-002** (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: Corrected and put policies/procedures in place. With the exception of working on wages rate controls.



# NEWTON COUNTY AUDITOR

TAMRA M JACKSON  
201 N THIRD STREET  
KENTLAND IN 47951

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2018-003** (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: Corrected and put policies/procedures in place. With the exception of working on wages rate controls.



# *NEWTON COUNTY AUDITOR*

TAMRA M JACKSON  
201 N THIRD STREET  
KENTLAND IN 47951

## CORRECTIVE ACTION PLAN

***FINDING 2019-001*** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Tamra Jackson  
Contact Phone Number: (219) 474-6081 Ext 1204

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Working with George Ade on correction and policies, along with the reporting of the Supplemental CAR-1 report.

Anticipated Completion Date: January 2021



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## NEWTON COUNTY TREASURER

TERI KNOWLES

### CORRECTIVE ACTION PLAN

#### **FINDING 2019-001**

Contact Person Responsible for Corrective Action: Teri Knowles - Newton County Treasurer  
Contact Phone Number: (219) 474-6081 Extension: 1300

Views of Responsible Official: We concur with the finding. (Treasurer)

#### Description of Corrective Action Plan:

Internal controls were improved and applied within the office for the reconciliation of cash and investments.

Anticipated Completion Date: 11/10/2020

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#### NEWTON COUNTY COURTHOUSE

201 N THIRD STREET • KENTLAND, INDIANA 47951  
PHONE: (219) 474-6081 • (888) 663-9866 • FAX: (219) 474-9245

E-MAIL: [tknowles@newtoncounty.in.gov](mailto:tknowles@newtoncounty.in.gov)

INDIANA STATE BOARD OF ACCOUNTS

# NEWTON COUNTY AUDITOR

TAMRA M JACKSON  
201 N THIRD STREET  
KENTLAND IN 47951

## CORRECTIVE ACTION PLAN

**FINDING 2019-002** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Tamra Jackson  
Contact Phone Number: 219 474 6081 ext 1204

Views of Responsible Official: We concur with this finding

Description of Corrective Action Plan:

Working on establishing internal controls and implementing procedures to properly report federal grants.

Anticipated Completion Date: January 31, 2021

# NEWTON COUNTY AUDITOR

TAMRA M JACKSON  
201 N THIRD STREET  
KENTLAND IN 47951

## CORRECTIVE ACTION PLAN

**FINDING 2019-003** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Tamra Jackson  
Contact Phone Number: 219 474 6081 ext 1204

Views of Responsible Official: We concur with this finding

Description of Corrective Action Plan:

Working on establishing internal controls and implementing procedures and performing quarterly reviews.

Anticipated Completion Date: January 31, 2021

## OTHER REPORTS

In addition to this report, other reports may have been issued for the County. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.