

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

NEWTON COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
02/22/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Tamra Jackson	01-01-20 to 12-31-22
County Treasurer	Teri Knowles Jennifer Swartz	01-01-20 to 12-31-20 01-01-21 to 12-31-22
Clerk of the Circuit Court	Jessica Firkins	01-01-20 to 12-31-22
County Sheriff	Thomas VanVleet	01-01-20 to 12-31-22
County Recorder	Janice Wilson	01-01-20 to 12-31-22
President of the Board of County Commissioners	Kyle Conrad Glen Cain	01-01-20 to 12-31-21 01-01-22 to 12-31-22
President of the County Council	Scott Carlson Michael Mark Scott Carlson	01-01-20 to 12-31-20 01-01-21 to 12-31-21 01-01-22 to 12-31-22



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, 2020, and the related notes to the financial statement, which collectively comprise the County's financial statement and have issued our report thereon dated February 7, 2022, 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.

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 2020-001, 2020-002, and 2020-003, 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 2020-001, 2020-002, and 2020-003.

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

February 7, 2022



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH 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 Each 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 each of its major federal programs for the year ended December 31, 2020. The County's major federal programs are 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 each of the County's major federal programs 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 each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each 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 each of its major federal programs for the year ended December 31, 2020.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each 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.

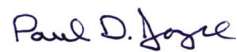
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 EACH 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, 2020, and the related notes to the financial statement. We issued our report thereon dated February 7, 2022, 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 an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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

February 7, 2022

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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, 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Commerce</u>					
Economic Development Cluster Investments for Public Works and Economic Development Facilities Fair Oaks Farms-KIRPC EDA	Direct grant	11.300	06-01-06080	\$ -	\$ 301,656
Total - Economic Development Cluster				-	301,656
Total - Department of Commerce				-	301,656
<u>Department of Justice</u>					
Equitable Sharing Program Equitable Sharing Prosecutor	Direct grant	16.922	CY 2020	-	16,382
Total - Department of Justice				-	16,382
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction Cumulative Bridge	Indiana Department of Transportation	20.205	DES # 1592162	-	98,133
Total - Highway Planning and Construction Cluster				-	98,133
Total - Department of Transportation				-	98,133
<u>Department of Treasury</u>					
COVID-19 - Coronavirus Relief Fund	Indiana Finance Authority	21.019	CY 2020	-	454,569
Total - Department of Treasury				-	454,569
<u>Department of Health and Human Services</u>					
Child Support Enforcement Clerk Title IV-D Incentive Usr/Infraction Deferral	Indiana Department of Child Services	93.563	CY 2020 CY 2020	- -	6,383 9,885

NEWTON COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
Clerk Perpetuation			CY 2020	-	123
Clerk/Co General			CY 2020	-	3,600
Title IV-D Incentive			CY 2020	-	3,200
Prosecutor/Co. General			CY 2020	-	48,245
Indirect Costs/Co. General			CY 2020	-	20,713
Prosecutor Title IV-D Incentive			CY 2020	-	1,799
Land Fill			CY 2020	-	133
Total - Child Support Enforcement				-	94,081
Opioid STR	Indiana Supreme Court	93.788			
Opioid STR			CY 2020	-	11,062
Total - Department of Health and Human Services				-	105,143
<u>Department of Homeland Security</u>					
Emergency Management Performance Grants 2016 State Homeland Sec Prog	Indiana Department of Homeland Security	97.042			
			EMC-2018-EP-00005	-	36,666
Homeland Security Grant Program 2018 Homeland Security Grant 2016 SHSP De-Obligated	Indiana Department of Homeland Security	97.067			
			EMW-2018-SS-00011-S01	-	85,000
			EMW-2016-SS-00078	-	48,617
Total - Homeland Security Grant Program				-	133,617
Total - Department of Homeland Security				-	170,283
Total federal awards expended				\$ -	\$ 1,146,166

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, 2020. 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; Unmodified 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 programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no

Identification of Major Programs and type of auditor's report issued on compliance for each:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
21.019	Highway Planning and Construction Cluster COVID-19 - Coronavirus Relief Fund	Unmodified Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2020-001

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2019-001.

Condition and Context

There were deficiencies in the internal control system of the County Auditor related to financial transactions and reporting.

NEWTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The County did not have an effective system of internal controls in place to prevent, or detect and correct, errors on the financial statement. The County failed to effectively review the financial transactions and reporting information prepared and submitted in the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement.

Due to the lack of effective controls, the financial statement presented for audit contained the following errors:

1. The County General fund receipts were overstated by \$6,000,000 due to reporting investment activity of \$2,000,000 and the receipt of \$4,000,000 of investment proceeds that were for total monies on deposit and not for the County General fund.
2. The beginning balance of the User Fee/Alcohol & Drug fund was overstated by \$1,103,707.
3. The George Ade Medicare fund receipts and disbursements were overstated by \$2,279,329 due to the reporting of bank-to-bank transfers as fund transfers in the financial statement.
4. The BPPE Late Filing Fees fund was not included on the financial statement understating disbursements and the beginning cash balance by \$3,150.

Audit adjustments were proposed, accepted by the County, and made to the financial statement.

The lack of internal 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.

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 audited entity 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 fiscal 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](#)."

NEWTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

The County's management had not established an effective system of internal controls that would have ensured proper reporting of the financial statement.

Effect

The failure to establish and implement an effective system of internal controls enabled material misstatements to go undetected. The financial statement 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.

FINDING 2020-002

Subject: Financial Transactions
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2019-001.

Condition and Context

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

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

Reconcilements were performed for the individual bank accounts, but the reconciliations were inaccurate as they did not reconcile in total to the financial statement or to the Treasurer's Daily Balance of Cash and Depositories (Cash Book) as of December 31, 2020.

As of December 31, 2020, the total cash and investments, per the Cash Book, indicated a cash necessary to balance of \$3,778,074. Additional audit procedures were performed and noted the following errors:

1. The reconciliations did not include an adjustment for two grant distributions, totaling \$454,569, electronically received in the bank account in 2020 but not recorded in the County's financial accounting system until 2021.
2. The funds ledger and the financial statement included the receipt of a total monies on deposit investment, which overstated the County General fund receipts and fund balance by \$4,000,000.

After adjusting the bank reconciliations for the grant distributions delayed posting, and the financial statement for the total monies on deposit investment receipt posting error, the adjusted bank reconciliations cash balance exceeded the County's financial statement and Cash Book balance by \$126,567.

NEWTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The lack of internal 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.

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. . . ."

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)

Cause

Management of the County Treasurer had not established a system of internal controls that would have ensured the accurate reconciliation of cash and investments.

Effect

The failure to establish and implement an effective system of internal controls enabled material misstatements to go undetected. The financial records 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.

NEWTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2020-003

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2019-002.

Condition and Context

The County had not established internal controls over the federal award information entered in the Indiana Gateway for Government Units financial reporting system, which was the source of the County's Schedule of Expenditures of Federal Awards (SEFA). The County Auditor prepared the SEFA without an oversight or review process in place to prevent, or detect and correct, errors on the SEFA.

Due to the lack of internal controls, the SEFA presented for audit contained the following errors:

1. The Economic Development Cluster expenditures were omitted, which understated expenditures by \$301,656.
2. The COVID-19 - Coronavirus Relief Fund expenditures were omitted, which understated expenditures by \$454,569.
3. The Highway Planning and Construction Cluster expenditures were overstated by \$231,205.
4. Several other grants had individually immaterial errors or omissions that resulted in a combined misstatement of \$50,856.
5. Other errors included program names, pass-through entities, and identifying numbers.

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control . . ."

2 CFR 200.62 states in part:

"Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:

- (a) Transactions are properly recorded and accounted for, in order to:

- (1) Permit the preparation of reliable financial statements . . ."

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 Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.

NEWTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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."

Cause

Management had not established a system of internal controls that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal controls that operated effectively, material misstatements of the SEFA remained 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

No matters are reportable.

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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.

NEWTON COUNTY AUDITOR

TAMRA M JACKSON
201 N THIRD STREET
KENTLAND IN 47951

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-001

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: The finding is currently being corrected. The County is creating and reviewing internal control processes over the bank reconcilements and financial transactions and reporting in order to prevent and detect errors. These processes will be in place by the end of 2022.

Tamara M. Jackson
Newton County Auditor

NEWTON COUNTY AUDITOR

TAMRA M JACKSON
201 N THIRD STREET
KENTLAND IN 47951

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-002

Fiscal year in which the finding initially occurred: 2019

Status of Audit Finding: The finding is currently being corrected. The County is creating and reviewing internal control processes over the Schedule of Federal Awards in order to prevent and detect errors. These procedures will be put into place for the 2022 SEFA.

Tamara M. Jackson
Newton County Auditor

NEWTON COUNTY AUDITOR

TAMRA M JACKSON
201 N THIRD STREET
KENTLAND IN 47951

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-003

Fiscal year in which the finding initially occurred: 2019

Status of Audit Finding: The finding is currently being corrected. The County is creating and reviewing internal control processes to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement. These procedures will be put into place by the end of 2022.

Tamara M. Jackson
Newton County Auditor

NEWTON COUNTY AUDITOR

TAMRA M JAMES
201 N THIRD STREET
KENTLAND IN 47951

CORRECTIVE ACTION PLAN

FINDING 2020-001 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Tamra James

Contact Phone Number: (219) 474-6081

Views of Responsible Official: Agree

Description of Corrective Action Plan:

The County is working on establishing a better system of internal controls to prevent and detect errors on the financial statement; including better segregation of duties and having two or more employees double checking Gateway uploads.

Investment activity and bank to bank transfers will no longer be recorded in the fund accounting system. Any adjustments needed going forward are being discussed with the County Treasurer, LOW, and the SBOA.

Anticipated Completion Date: Year end 2022

Tamra M. James
Newton County Auditor

219-474-6081 EXT 1200

FAX 219-474-9245

tjackson@newtoncounty.in.gov

February 7, 2022

Corrective Action Plan

Finding 2020-002

Contact Person Responsible for Corrective Action: Jenni Swartz, Treasurer

Contact Phone Number: 219-474-6081 ext 1302

Views of Responsible Official: Agree

Description of Corrective Action Plan: These have been implemented - The Treasurer balances the Treasurer's Funds Ledger to the bank statement and the First Deputy reviews bank statements against the reports printed.

I made adjustments to the Treasurer's Funds Ledger and Cash Sheet balance with the banks in June 2021. The Treasurer makes sure the Treasurer's Funds Ledger and Cash Sheet match every day.

The Treasurer has reached out to our software Vendor (LOW) in regards to handling investments on the cash sheet and in the Treasurer's Funds Ledger. Was told that it is a bank to bank transfer in our system and didn't need quietused in. There is one outstanding \$4M CD maturing in December 2022.

Adjustments going forward are being discussed with LOW and the SBOA.

Anticipated Completion Date: Completed in August 2021 and December 2021 and to be completed by December 2022

NEWTON COUNTY AUDITOR

TAMRA M JAMES
201 N THIRD STREET
KENTLAND IN 47951

CORRECTIVE ACTION PLAN

FINDING 2020-003 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Tamra James

Contact Phone Number: (219) 474-6081

Views of Responsible Official: Agree

Description of Corrective Action Plan:

The County is working on establishing a better system of internal controls to prevent and detect errors on the SEFA; including better segregation of duties and having two or more employees double checking Gateway uploads.

Anticipated Completion Date: Year end 2022

Tamra M. Jackson
Newton County Auditor

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/>.