

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

JAY COUNTY, INDIANA

January 1, 2021 to December 31, 2021



**FILED**  
12/28/2022



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Anna Culy (Vacant) Emily Franks	01-01-21 to 03-05-22 03-06-22 to 03-07-22 03-08-22 to 12-31-22
County Treasurer	Paula Miller	01-01-21 to 12-31-22
Clerk of the Circuit Court	Jon Eads	01-01-21 to 12-31-22
County Sheriff	Dwane Ford	01-01-21 to 12-31-22
County Recorder	Betty S. Myers	01-01-21 to 12-31-22
President of the Board of County Commissioners	Chad Aker	01-01-21 to 12-31-22
President of the County Council	Jeanne Houchins	01-01-21 to 12-31-22



**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, 2021 to December 31, 2021. 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/](http://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.

Beth Kelley, CPA, CFE  
Deputy State Examiner

December 6, 2022

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COUNTY TREASURER  
JAY COUNTY

COUNTY TREASURER  
JAY COUNTY  
AUDIT RESULTS AND COMMENTS

**FINANCIAL TRANSACTIONS AND REPORTING**

A similar comment also appeared in prior Reports B53288, B56087, and B58871, entitled *FINDING 2018-001 - FINANCIAL TRANSACTIONS AND REPORTING - COUNTY TREASURER; FINANCIAL TRANSACTIONS AND REPORTING - COUNTY TREASURER; and FINANCIAL TRANSACTIONS AND REPORTING*, respectively.

*Condition and Context*

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

1. Risk Assessment: Throughout the audit period, the Treasurer did not perform risk assessment to identify and assess fraud risk factors. The Treasurer was permitted to make manual adjustments to the Treasurer's Daily Balance of Cash and Depositories (Cash Book) without any oversight, review, or approval process in place.
2. Control Activities: Internal controls were deficient in the prevention or detection and correction errors in a timely manner.
  - The Treasurer's monthly bank reconcilements and outstanding check lists were incorrect for 12 months of the audit period. At December 31, 2021, the reconciled bank balance was \$719,329 less than the total financial statement balance.
  - One tax collection bank account was omitted from the Treasurer's Cash Book and bank reconcilements throughout the audit period.
  - The Treasurer presented the following versions of her Cash Book for audit, which did not always agree to each other throughout the audit period; printed daily in folders, printed monthly with the Monthly Report, uploaded to the Indiana Gateway for Government Units financial reporting system throughout the year, and an electronic version in Excel format. The versions not agreeing with each other was the result of incorrect bank reconcilements.
3. Information and Communication: The Treasurer did not provide relevant information to the Deputy Treasurers to support the functioning of the other components of internal control. The Treasurer did not provide, share, or obtain necessary information for the Deputy Treasurer to properly perform monthly bank reconciliations in a timely manner. The Treasurer did not provide separate cash drawers for the Deputy Treasurers. The Treasurer did not provide appropriate, current, complete, accurate, accessible, and timely information for the Deputy Treasurer to properly account for daily activities in the Treasurer's Cash Book.
4. Monitoring of Controls: The Treasurer had no process to identify or communicate corrective actions to improve internal controls. Effective internal controls over financial reporting requires the Treasurer to monitor and assess the quality of the system of internal controls.

COUNTY TREASURER  
JAY COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, Uniform Internal Control Standards for Indiana Political Subdivisions. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment is the process used to identify and assess internal and external risks to the achievement of objectives, and then establish risk tolerances. Each identified risk is evaluated in terms of its impact and likelihood of occurrence. Overall, risk assessment is the basis for determining how risk will be managed. . . .

Management identifies risks to the achievement of the political subdivision's objectives across the unit as a whole and within each office or department. Analysis of risk through determination of objective measures and variance tolerance is the basis for determining how the risks should be managed. The response to risk is selected: acceptance, avoidance, reduction, or sharing. . . .

Internal control is a process, and part of that process is the responsibility for management to be continually aware of changes, both external and internal, that could affect the achievement of the political subdivision's objectives. Those changes should be analyzed for both their immediate effect and for any future impact. Management would then determine any modifications needed in the internal control process to adapt to these changes. . . ."

"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. . . ."

"Relevant information from both internal and external sources is necessary to support the functioning of the other components of internal control. Communication is the continual process of providing, sharing, and obtaining necessary information. Internal communication enables personnel to receive a clear message that control responsibilities are taken seriously by the organization. External communication enables relevant outside information to be internalized and internal information to be clearly communicated to external parties. . . .

Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

COUNTY TREASURER  
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AUDIT RESULTS AND COMMENTS  
(Continued)

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

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](#)."

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)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

## **AUDITOR AND TREASURER RECONCILEMENT**

### *Condition and Context*

The Monthly Financial Statement, County Form No. 61, a permanent record prepared from the County Treasurer's (Treasurer) funds ledger at the close of each month, was prepared monthly; however, due to errors on the Treasurer's Cash Book and the lack of reconcilements, the differences between the Treasurer and County Auditors' Form 61 were not properly identified, documented, and corrected timely.

### *Criteria*

#### **AUDITOR**

At the close of each calendar month a Monthly Financial Statement, County Form No. 61, shall be prepared, showing the financial transactions for the month and year to date, for each fund and in total.

The county treasurer is also required to independently prepare a Monthly Financial Statement on the same form and the two statements must be reconciled. If any differences exist between the records of the auditor and the treasurer, they must be identified, and immediate steps taken to bring the records of the two offices into agreement.

COUNTY TREASURER  
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AUDIT RESULTS AND COMMENTS  
(Continued)

The statements are prescribed to be placed in a post-binder and shall be carefully preserved as a permanent record. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

*TREASURER*

The Monthly Financial Statement, Form 61, is a permanent record prepared from the treasurer's funds ledger at the close of each month. It is prepared after all postings to the ledger have been completed for the month and reflects the total receipts and disbursements and the balance for each fund for the month and for the year to date. The statement must agree with a similar statement kept by the county auditor, giving consideration to any adjustments required to reconcile the ledgers of the two offices.

(Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 5)

COUNTY TREASURER  
JAY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 6, 2022, with Emily Franks, County Auditor; Jeanne Houchins, President of the County Council; and Rex Journey, County Commissioner.