

**Resolution No. 2016-R-11
DeKalb County, Indiana Internal Control Policy
Pursuant to Indiana Code 5-11-1-27**

The purpose of this policy is to develop control standards for all departments within DeKalb County to advance accountability and transparency of operations.

RE: DeKalb County Commissioners Ordinance Number
2016-R-6

DeKalb County Code: 4-1-10
Ordinance of the DeKalb County Commissioners Establishing
Minimum Internal Control Standards and Procedures, and
Determining Materiality Threshold for DeKalb County Government

This Policy is to communicate to all employees and Elected Officials of DeKalb County and enact the components and principles of the Uniform Internal Control Standards for Indiana Political Subdivisions.

**COMPONENT ONE: CONTROL ENVIRONMENT
(Includes Principles 1-5)**

Principle 1: The oversight body and management demonstrate a commitment to integrity and ethical values.

The oversight body (County Commissioners) indicates these values as laid out in the Employee Handbook. The standards established in the handbook are expected to be followed. All employees sign an acknowledgement of receipt/access to the handbook.

Principle 2: The oversight body oversees the entity's internal control system.

If required, the legislative body (County Commissioners) will form an oversight committee and designate members with high ethical values, excellent communication and problem solving skills. This committee oversees the internal control system and advises the legislative body and management on internal control issues. If not required, the legislative body is responsible for overseeing the internal control system for the County.

Management provides internal control issues to the oversight body for review and input. Ultimately, offices and departments utilize the oversight body as a resource for ideas.

Principle 3: Management establishes an organizational structure, assigns responsibility, and delegates authority to achieve the political subdivision's objectives.

Elected Officials and Department Heads are responsible for establishing, maintaining, and executing a system of internal controls in their departments and making sure their employees abide by the system and policy in place. Elected Officials and Department Heads are responsible for reporting any internal control issues within their departments to the legislative body.

Principle 4: Management demonstrates a commitment to attract, develop and retain competent individuals.

The Employee Handbook contains information on maintaining an equal opportunity, non-discriminatory workplace and maintaining quality employees. Prior to employment individuals may be subject to pre-employment background screening. The Human Resources department and some boards will be responsible for hiring quality employees. The Human Resources Director and legislative body will oversee the benefit package for the County.

Job descriptions will be created and updated to include internal control responsibilities and duties. Employees will be trained in internal control methods and the training will be documented in employees' personnel files.

Principle 5: Management evaluates performance and holds individuals accountable for their internal control responsibilities.

Elected Officials and Department Heads will work with the oversight body to address noncompliance with internal control procedures and take appropriate action to correct the issue.

COMPONENT TWO: RISK ASSESSMENT (Includes Principles 6-9)

Principle 6: Management defines objective clearly to enable the identification of risks and risk tolerances.

Elected Officials and Department Heads met with the legislative body to define risks in each of their areas. Those departments that documented their risks with the legislative body now have a basis from which department internal controls/procedures may become transparent. Those departments that did not document their risks with the legislative body will be REQUIRED to do so as set by the legislative body. The categories that will be looked at include:

Operations- Effectiveness and efficiency of operations;
Reporting-Reliability of reporting for internal or external use;
Compliance- Compliance with applicable laws and regulations.

The legislative body does recognize that some departments adhere to controls from federal entities.

Principle 7: Management identifies, analyzes, and responds to risks related to achieving the defined objectives.

Elected Officials and Department Heads will be REQUIRED to bring risks to the legislative body as issues occur. From that point the risk will be analyzed by the following parameters:

- How likely is the risk to occur?
- How will it impact the objective?
- Is the risk based on complex or unusual transactions?
- Is the risk based on fraud?

Principle 8: Management considers the potential for fraud when identifying, analyzing, and responding to risks.

The legislative body recognizes types of fraud that could impact the County to include but not limited to: fraudulent financial reporting, misappropriation of assets, and corruption. The legislative body will use the same process to respond to fraud as used in principle 7 for analyzed risks.

Principle 9: Management identifies, analyzes, and responds to significant changes that could impact the internal control system.

Elected Officials and Department Heads will regularly monitor the internal controls and policies of their departments in order to accommodate future changes both internal and external. (Personnel changes, newly Elected Officials, new programs, new technology, new laws and regulations, and financial fluctuations)

COMPONENT THREE: CONTROL ACTIVITIES (Includes principles 10-12)

Principle 10: Management designs control activities to achieve objectives and respond to risks.

Elected Officials and Department Heads will be required to have their departments' internal controls/procedures documented

and available to provide to the legislative body, State Board of Accounts, new hires, and other departments as requested.

General internal control principles for departments will be applied to all departmental operations, accounting records and reports, payroll, purchasing/receiving/disbursement approval, equipment and supply inventories, cash receipts, petty cash and change funds, billing and accounts receivable.

The risks that were brought to the legislative body by Elected Officials and Department Heads are adopted by the legislative body. If there are changes to be made to any of the processes the legislative body will direct the Elected Official or Department Head on a clearer system that will then be documented in that departments' internal control/procedures documents.

Principle 11: Management designs the political subdivision's information system and related control activities to achieve objectives and respond to risk.

Elected Officials and Department Heads will work with the Information Systems Department (I.T.) to make sure that controls are in place within each department. This may include, but not limited to:

- a) Permissions set to allow only certain users to perform certain tasks.
- b) Segregation of duties as possible with users.
- c) Prohibiting user ID and password sharing among employees,
- d) Restricting the authority to correct or make adjustments to employee records, and
- e) Requiring the use of prescribed forms or the approval of alternative forms.

Principle 12: Management implements control activities through policies.

The DeKalb County Employee Handbook is available online and includes expectations and policies. The DeKalb County employees also have access to an "intranet" where new and updated policies are available.

COMPONENT FOUR: Information and Communication (Includes Principles 13-15)

Principle 13: Management uses quality information to achieve the political subdivision's objectives.

DeKalb County aims for transparency and accountability. By investing in a high quality software system and the mechanics that make such a system operate, internal controls for information purposes are already put into place. The I.T. Department and our systems vendor stay on top of changes and developments that need to change according to State standards and communicates the updates/changes with employees through e-mail.

Principle 14: Management internally communicates the necessary quality information to achieve the political subdivision's objectives.

Internal communications on internal controls are communicated through adoption of formal policies by relevant boards and commissions and/or the legislative body. Internal policies or information will be documented and posted on the internal County website.

Principle 15: Management externally communicates the necessary quality information to achieve the entity's objectives.

Communication with State Board of Accounts, other State agencies, grantor agencies, and regulatory agencies are documented by email, memos, letters and other correspondence. All documents are maintained in accordance with the State's record retention policy.

COMPONENT FIVE: MONITORING ACTIVITIES (Includes Principles 16-17)

Principle 16: Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results.

The legislative body monitors and evaluates compliance with internal control policies. Monitoring activities will be documented by signatures, initials, or other appropriate methods and kept in the Auditor's office for auditing purposes. The legislative body will have periodic checks to determine if controls are in place, working effectively, and documented. The legislative body will review control activities to determine if the actual activities are in compliance with established

procedures. The legislative body will also document deficiencies in the internal control processes and remediate them quickly.


Principle 17: Management remediates identified internal control deficiencies on a timely basis.

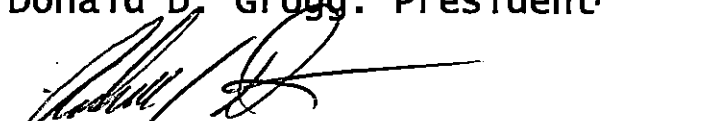
Internal control deficiencies may be identified internally through monitoring or externally through audit reports, communication from grantor agencies, etc. Once identified, Elected Officials/Department Heads are to address the finding immediately through a documented corrective action plan. The plan should be brought to the legislative body to ensure the plan is implemented and the plan set forth is effective in correcting internal control weaknesses. A copy of the corrective action plan shall be kept in the Auditor's office for auditing purposes.

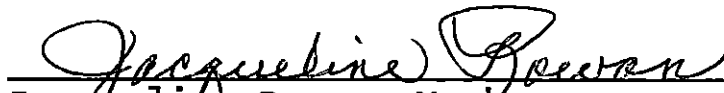
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Adopted and Signed This 11 day of July, 2016.

DeKalb County Commissioners


Donald D. Grogg: President


Randall J. Deetz: Vice President


Jacqueline Rowan: Member


Jan Bauman, Auditor: Attest