

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

AUDIT REPORT
OF

COUNTY COUNCIL AND
BOARD OF COUNTY COMMISSIONERS
TIPPECANOE COUNTY, INDIANA

January 1, 2010 to December 31, 2010



FILED
08/05/2011

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of the County Council	Andrew S. Gutwein	01-01-10 to 12-31-11
President of the Board of County Commissioners	John Knochel David S. Byers	01-01-10 to 12-31-10 01-01-11 to 12-31-11



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TO: THE OFFICIALS OF TIPPECANOE COUNTY

We have audited the records of the County Council and Board of County Commissioners for the period from January 1, 2010 to December 31, 2010, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Annual Report of Tippecanoe County for the year 2010.

STATE BOARD OF ACCOUNTS

June 16, 2011

COUNTY COUNCIL AND BOARD OF COUNTY COMMISSIONERS
TIPPECANOE COUNTY
AUDIT RESULTS AND COMMENTS

***SALARY ORDINANCE - COMPENSATION OF ELECTED OFFICIALS
AND SPECIALTY PAY FOR SHERIFF'S DEPUTIES***

The compensation of elected officials was not addressed in the salary ordinance, Ordinance No. 2009-18-CL. No other ordinance or resolution was presented for audit to evidence the approval of the elected officials' salaries.

The County provided additional compensation to certain Sheriff's Deputies titled "Specialty Pay." This additional compensation was not included as part of the salary ordinance. No other ordinance or resolution was provided for audit to substantiate approval for the annual, lump sum "Specialty Pay" to certain Sheriff's Deputies.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Indiana Code 36-8-10-4(a)(b) states in part:

"A county police force is established in each county. The members are employees of the county . . . The expenses of the county police force are a part of the sheriff's department budget. The board may recommend the number and salary of the personnel, but the county fiscal body shall determine the budget and salaries."

SALARY ORDINANCE/COMPENSATION MATRIX

The County created a new compensation matrix for pay rates starting in 2009. The 2008 pay rates for some employees exceeded the upper level of the new matrix. When this was the case, the employees' pay was frozen at the higher 2008 rate. The result is that some employees earned more than the pay rates approved in the salary ordinance. The approved salary ordinance, Ordinance No. 2009-18-CL, did not address freezing rates at previously approved higher rates if the current salary ordinance would result in an employee receiving a reduction in pay. No other ordinance or resolution was provided for audit to document approval by the governing board of these higher pay rates.

For the 2011 Salary Ordinance, passed in 2010, the compensation matrix has been corrected.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

NO APPROVAL FOR PAYMENT OF PAYROLL CLAIMS

County officials and employees are paid twice each month. None of the semimonthly payroll expenditures in 2010 were approved by the County Commissioners.

COUNTY COUNCIL AND BOARD OF COUNTY COMMISSIONERS
TIPPECANOE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-10-1.6(c) requirements for issuance of warrant or check by fiscal officer states in part:

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

INTERNAL CONTROLS OVER CASH MANAGEMENT COMPLIANCE REQUIREMENTS

We noted several deficiencies in the internal control system of the County related to financial transactions and reporting. We believe the following deficiency constitutes a control deficiency:

Monitoring of Controls: Effective internal control over financial reporting requires the Board of Commissioners to monitor and assess the quality of the County's system of internal control. The Board of Commissioners has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility place the County at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect non-compliance with federal laws and regulations in a timely manner. Additionally, the County has no process to communicate corrective actions to improve controls.

The Sheriff's Department was the subrecipient of an award of \$60,000 through the City of Lafayette Police Department. The grant was Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program, federal stimulus funding. This grant is a project lump sum grant but is subject to title 28 of the Code of Federal Regulations (28 CFR). Title 28 of the Code of Federal Regulations Section 66.21(c) Advances says: "Grantees and sub grantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee." The funding was received by the County in October 2009 and although the County had a contractual arrangement for services, no payments were made until October 2010. Then from October 2010 through year end, 14 months of payments were made for the period from December 2009 through January 2011.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

28CFR Section 66.21(c): Grantees and sub grantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY COUNCIL AND BOARD OF COUNTY COMMISSIONERS
TIPPECANOE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 16, 2011, with David S. Byers, President of the Board of County Commissioners, and Andrew S. Gutwein, President of County Council.