

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

COUNTY AUDITOR

TIPTON COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
05/08/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Gregg Townsend	06-20-12 to 12-31-18
President of the County Council	Dennis Henderson	01-01-13 to 12-31-14
	James L. Powell	01-01-15 to 12-31-15
President of the Board of County Commissioners	Mike Cline	01-01-13 to 12-31-13
	Phil Heron	01-01-14 to 12-31-14
	Joe VanBibber	01-01-15 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF TIPTON COUNTY, INDIANA

This report is supplemental to our examination report of Tipton County (County), for the period from January 1, 2013 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the County Auditor. It should be read in conjunction with our Financial Statement Examination Report of the County, which provides our opinions on the County's financial statement. This report may be found at 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 Examination 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

March 5, 2015

COUNTY AUDITOR
TIPTON COUNTY
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

The Annual Report for 2013 did not contain all significant financial departments, was filed late and contained errors in some schedules. The following issues in the Gateway Annual Report were noted:

- The financial activity of the Clerk of the Circuit Court, County Sheriff and the County Treasurer's After Settlement Collections were not included on the Gateway Annual Report.
- The Federal expenditure activity was incorrectly prepared, as grants totaling \$158,639 were not included.
- The Schedule of Leases and Debt was incorrectly prepared, as errors totaling \$181,715 were noted.
- The Schedule of Payables and Receivables was not prepared by the unit.
- The Gateway Annual Report was not filed until March 19, 2014, which is 18 days late.

Adjustments were proposed for the errors and omissions, approved by management, and made to the financial statement contained in the report.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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. "

CONDITION OF RECORDS

Corrections to the 2013 financial records for errors occurring in the past and current years resulted in a substantially correct total cash balance at December 31, 2013. Because the corrections were numerous affecting receipts and disbursements, there remains some uncertainty of the accuracy of individual fund balances at January 1, 2013.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

OVERDRAWN CASH BALANCES

The financial statement presented in this report included the following funds with overdrawn cash balances at December 31, 2013:

COUNTY AUDITOR
TIPTON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Fund	Amount Overdrawn
General Drain Improvement	\$ 104,122
Tax Sale Redemption	12,506
2008 TIF Sinking Fund	350
2008 Ed Revenue Project Old Const 377	2,000
New Payroll Clearing	39,637

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COMPENSATION AND BENEFITS

Leave benefits were paid to two employees at termination which were not in accordance with the County's policy regarding leave payouts at termination of employment as specified in the employee handbook.

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. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

PAYROLL CLERK COMPENSATORY TIME ACCUMULATION

Derith Penley, former Payroll Clerk, earned compensatory time and used accumulated compensatory leave time from January 1, 2011 to December 31, 2013, which was not supported by time cards and not in accordance with the County's policies pertaining to compensatory time.

An Indiana State Police investigation revealed that Derith Penley, former Payroll Clerk, accumulated compensatory time valued at \$1,762.59 in excess of what was due to her. Criminal charges were filed September 25, 2014, in Tipton County Circuit Court, Cause No. 80-C01-1409-FD-000358, against Derith Penley, former Payroll Clerk, by a Special Prosecutor in Howard County.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

INTERNAL CONTROLS OVER PAYROLL PROCESSING

Internal controls over the processing of payroll were insufficient. Only 3 of the 26 payroll claims for the County Auditor's Office for 2013 contained the signature of the County Auditor. In addition, there was no evidence of review by the County Auditor of the time cards accompanying each payroll claim in 2013.

COUNTY AUDITOR
TIPTON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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 County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
TIPTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 30, 2014, with Gregg Townsend, County Auditor.

The contents of this report were discussed on March 5, 2015, with James L. Powell, President of the County Council; Joe VanBibber, President of the Board of County Commissioners; and Gregg Townsend, County Auditor.