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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TIPPECANOE COUNTY, INDIANA

January 1, 2014 to December 31, 2014





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SCHEDULE OF OFFICIALS

Office	<u>Official</u>	<u>Term</u>
County Auditor	Jennifer Weston Robert Plantenga	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Treasurer	Robert Plantenga Jennifer Weston	01-01-13 to 12-31-14 01-01-15 to 12-31-16
Clerk of the Circuit Court	Christa Coffey	01-01-11 to 12-31-18
County Sheriff	Tracy Brown Barry Richard	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Recorder	Oneta Tolle Shannon Withers	01-01-11 to 12-31-14 01-01-15 to 12-31-18
President of the Board of County Commissioners	John Knochel Thomas Murtaugh	01-01-14 to 12-31-14 01-01-15 to 12-31-15
President of the County Council	David Williams	01-01-14 to 12-31-15



STATE BOARD OF ACCOUNTS 302 WEST WASHINGTON STREET ROOM E418 INDIANAPOLIS, INDIANA 46204-2769

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TO: THE OFFICIALS OF TIPPECANOE COUNTY, INDIANA

This report is supplemental to our audit report of Tippecanoe County (County), for the period from January 1, 2014 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Finding, identified in the above referenced audit report, is included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plan for the Federal Finding and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

Paul D. Joyce, CPA State Examiner

December 8, 2015

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COUNTY AUDITOR TIPPECANOE COUNTY

COUNTY AUDITOR TIPPECANOE COUNTY AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for audit indicated that the expenditures of the Rainy Day fund were in excess of budgeted appropriations for 2014 by \$2,911,935.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

OVERDRAWN CASH BALANCES

The financial statements presented for the County included the following funds with overdrawn cash balances at December 31, 2014:

	A	Amount	
Fund	Ov	Overdrawn	
Tax Sale Redemption	\$	3,220	
Court Services (Substance Abuse/MH)		39,620	
Court Services (Violence in Comm/CS)		39,493	

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)



Robert A. Plantenga 20 North 3rd Street Lafayette, Indiana 47901-1214

December 10, 2015

Paul Joyce State Examiner State Board of Accounts 302 West Washington Street, Room E 418 Indianapolis, IN 46204-2765

Dear Mr. Joyce:

The following explanations are offered in response to the State Board of Accounts 2014 audit results for Tippecanoe County. We acknowledge that the County did not receive appropriate approval to expend Rainy Day Funds. 2014 was the first year that the County made expenditure of Rainy Day funds, and the Auditor's Office inadvertently omitted Rainy Day appropriations from State Form 55819, prescribed by Department of Local Government Finance (DLGF). While the County did not make proper submittal to DLGF for its examination and approval, the County did make timely legal advertisement, and obtained appropriation approval from the County Council.

A reported year-end negative cash balance in the Tax Sale Redemption Fund was caused by a posting error between funds on the General Ledger. A December cash receipt was posted to Community Corrections Project Income (Fund 215), rather than the correct Tax Sale Redemption (Fund 715). Although reports reflected a negative balance, in reality this was not the case, as a typographical error was the sole cause of the erroneously reported balance. Internal controls entailing secondary review of fund balances by Auditor staff revealed the error, which was corrected via adjusting journal in March 2015, which was prior to the start of the 2014 State Board of Accounts audit.

Financial concerns had been building for a number of years with the Court Services department and, in recognition of such, the County established a Court Services Advisory Board to examine operations and monitor the financial status of the department. The Advisory Board is led by a Superior Court Judge and includes other Judges, a County Commissioner, a County Councilmember, the Auditor, and other parties involved in substance abuse services. At the recommendation of the Advisory Board, Court Services was significantly reorganized in 2015. The Department no longer

engages in treatment activities, now outsourcing those services, and focuses only on evaluation services. Corresponding staff reductions were implemented, and the negative cash balance has been reduced. With its new operational model, Court Services has produced revenues exceeding expenditures showing promise of sustainability moving forward. The County Council has approved a \$125,000 appropriation from other sources to rectify negative fund balances by the end of 2015.

Respectfully submitted,

Mund a Vantary =
Robert A. Plantenga

COUNTY AUDITOR TIPPECANOE COUNTY EXIT CONFERENCE

The contents of this report were discussed on December 8, 2015, with Thomas Murtaugh, President of the Board of County Commissioners; David Williams, President of the County Council; Robert Plantenga, County Auditor; and Jeremy Diehl, Deputy County Auditor.

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CLERK OF THE CIRCUIT COURT TIPPECANOE COUNTY

CLERK OF THE CIRCUIT COURT TIPPECANOE COUNTY FEDERAL FINDINGS

FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the County Clerk's Office related to financial transactions and reporting. Control activities should be selected and developed at various levels of the Clerk's Office to reduce risks to the achievement of financial reporting objectives. The Clerk's Office had not implemented effective internal controls over the activities related to receipts. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

Employees of the Clerk of the Circuit Court's Office were able to collect mailed-in payments, collect payments made in person, issue receipts, and record receipts. Each cashier balanced their own cash drawer and submitted the collections, with adding machine tapes of the total checks and total cash payments received, to another employee to prepare the deposit. The deposits were not always made in the same form in which the funds were received (i.e., cash or checks). The employees who prepared the deposits did not verify that the amounts of checks and cash remitted for the deposit agreed with the cashier's receipts issued. A cashier was able to substitute checks received in the mail for which no receipt was issued or recorded, for cash received in the office, which was recorded but not deposited. The amount of the Clerk of the Circuit Court's Office receipts misappropriated in 2014 was not material to the financial statement.

The lack of effective internal controls allowed the cashier to collect mailed-in checks without issuing a receipt and to collect cash which was not deposited. The failure to establish effective controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial transactions and reporting.

An evaluation of the Clerk of the Circuit Court's Office system of internal control was conducted in June 2014 after it was discovered that current internal controls were insufficient. Prior to June 2014, the failure to monitor the internal control system placed the Clerk of the Circuit Court's Office at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would prevent, or detect and correct, material misstatements in a timely manner. After the evaluation in June 2014, the Clerk of the Circuit Court's Office did implement a process to identify and communicate corrective actions to improve controls. Effective internal control over financial reporting requires the Clerk of the Circuit Court's Office to monitor and assess the quality of the system of internal control.

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.

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 Clerks of the Circuit Courts of Indiana, Chapter 13)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for County Clerks of Indiana, Chapter 13)

Indiana Code 5-13-6-1(c) states in part:

"... all local officers... who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the ... local boards of finance. "Public funds deposited ... shall be deposited in the same form in which they were received."



Christa Coffey clerk@tippecanoe.in.gov

County Courthouse 301 Main Street Lafayette, Indiana 47901

PO Box 1665 Lafayette, Indiana 47902 phone 765.423.9326 fax 765.423.9194

Tippecanoe County Clerk of the Courts

CORRECTIVE ACTION PLAN

FINDING 2014-0001 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Christa Coffey

Contact Phone Number: 765-423-9724

Description of Corrective Action Plan:

After determination of issues identified June 4, 2014, the following changes were made to responsibilities and segregation of duties:

- Mail, including payments by check or money order, is retrieved each day by one of five designated staff from the PO Box and County Office Building Mail Room.
- That employee who opens the mail on their assigned day disburses payments to other staff for receipting. The person who opens and sorts the mail does not process payments received in the mail that day.
- If short-staffed or one of the employees is unavailable on their assigned day, mail is opened and payments sorted for processing by the Supervisor, Chief Deputy, or Clerk.
- Total of payment form submitted (cash to cash, checks to checks) must match day-end totals.

Anticipated Completion Date: June 30, 2014

Christa Coffey

Tippecanoe County Clerk

Date

CLERK OF THE CIRCUIT COURT TIPPECANOE COUNTY EXIT CONFERENCE

The contents of this report were discussed on December 8, 2015, with Thomas Murtaugh, President of the Board of County Commissioners; David Williams, President of the County Council; Christa Coffey, Clerk of the Circuit Court; Robert Plantenga, County Auditor; and Jeremy Diehl, Deputy County Auditor.