

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TIPTON COUNTY, INDIANA

January 1, 2021 to December 31, 2022



FILED

01/09/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Gregg Townsend Melissa Pickering	01-01-21 to 12-31-22 01-01-23 to 12-31-23
County Treasurer	Suzanne Alexander Gregg Townsend	01-01-21 to 12-31-22 01-01-23 to 12-31-23
Clerk of the Circuit Court	Christy Crawford	01-01-21 to 12-31-23
County Sheriff	Tony D. Frawley Matt Tebbe	01-01-21 to 12-31-22 01-01-23 to 12-31-23
County Recorder	Sheila Hook	01-01-21 to 12-31-23
President of the Board of County Commissioners	Dennis Henderson	01-01-21 to 12-31-23
President of the County Council	Jim Ashley	01-01-21 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF TIPTON COUNTY, INDIANA

This report is supplemental to the audit report of Tipton County (County), for the period from January 1, 2021 to December 31, 2022. 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 the 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/.

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 21, 2023

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COUNTY AUDITOR
TIPTON COUNTY

COUNTY AUDITOR
TIPTON COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

The County had not established an effective system of internal controls to prevent, or detect and correct, errors related to cash and investments, receipts, and disbursements for its Self-Insurance fund.

Cash and Investments

The County hired a third-party administrator to process and pay its self-insurance claims. The third-party administrator held County money in a separate bank account and completed bank reconciliations on a monthly basis. The County did not have any internal controls in place to oversee or obtain the bank reconciliations completed by the third-party administrator.

Receipts

The County sent money to its third-party administrator for self-insurance on a monthly basis for the administrator to hold in an account to pay self-insurance claims. The County did not have any internal controls in place for an oversight or review process to ensure the receipts to its self-insurance account were properly deposited and recorded.

Disbursements

The County hired a third-party administrator to process its self-insurance claims. The third-party administrator approved claims for payment on a weekly basis. However, the County did not have any internal controls in place for an oversight or a review process at the County level to ensure the disbursements from its account were accurate or properly recorded.

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:

"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. . . ."

COUNTY AUDITOR
TIPTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

ANNUAL FINANCIAL REPORT

Condition and Context

The County had not established effective internal controls over the financial information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report (AFR) and the financial statement. The County Auditor uploaded the information for the AFR into Gateway without a review or approval process.

Due to the lack of effective internal controls, the AFR presented for audit included the following errors:

1. An investment fund titled "Total Monies" was incorrectly reported on the financial statement, which overstated receipts and disbursements for 2021 and 2022 by \$7,529,505 and \$7,491,599, respectively.
2. The County did not report the activity for its Self-Insurance fund, which understated beginning cash and investments at January 1, 2021, by \$520,230; ending cash and investments at December 31, 2021, by \$1,135,628; and did not report the negative cash and investments balance at December 31, 2022, of \$66,770. This also caused an understatement of receipts in 2021 and 2022 by \$1,261,103 and \$762,531, respectively, and an understatement of disbursements for 2021 and 2022 by \$645,705 and \$1,964,929, respectively.
3. There were numerous other errors to various funds that resulted in a net understatement of receipts in 2021 and 2022 of \$39,485 and \$114,958, respectively; a net understatement of disbursements for 2021 of \$452,087; and a net overstatement of disbursements for 2022 of \$1,727,751.

Audit adjustments were proposed, accepted by the County, and made to the financial statement presented in the Financial Statement Audit Report of the County.

Criteria

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](#)."

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:

"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.

COUNTY AUDITOR
TIPTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial, supplementary, and other information are required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system. The required supplementary information and other information entered by the County contained numerous errors.

The receipts, disbursements, and cash and investment balances entered into Gateway contained the following errors:

1. An investment fund titled "Total Monies" was incorrectly reported on the financial statement which overstated receipts and disbursements for 2021 and 2022 by \$7,529,505 and \$7,491,599, respectively.
2. The County did not report the activity for its Self-Insurance fund, which understated beginning cash and investments at January 1, 2021, by \$520,230; ending cash and investments at December 31, 2021, by \$1,135,628; and did not report the negative cash and investments balance at December 31, 2022, of \$66,770. This also caused an understatement of receipts in 2021 and 2022 by \$1,261,103 and \$762,531, respectively, and an understatement of disbursements for 2021 and 2022 by \$645,705 and \$1,964,929, respectively.
3. There were numerous other errors to various funds that resulted in a net understatement of receipts in 2021 and 2022 of \$39,485 and \$114,958, respectively; a net understatement of disbursements for 2021 of \$452,087; and a net overstatement of disbursements for 2022 of \$1,727,751.

Adjustments were proposed, accepted by the County, and made to the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Required Supplementary Information in the Financial Statement Audit Report of the County.

The leases and debt information entered into Gateway contained the following errors:

1. One lease was not properly classified as a lease for 2021 and 2022. This resulted in the overstatement of the debt information and an understatement of the lease.
2. In 2022, the Economic Development Revenue Bond, Series 2010 ending principal was understated by \$1,442,366, and the principal due within one year was overstated by \$500,000.
3. In 2022, the Economic Development Income Tax Revenue Bond 2008 ending principal was understated by \$70,000, and the principal due within one year was overstated by \$330,000.

COUNTY AUDITOR
TIPTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

4. In 2022, the Redevelopment District Tax Increment Revenue Bonds, Series 2018 (Roundabout US31/SR28) principal due within one year was overstated by \$1,494,701.
5. In 2021, the annual lease payment for the 2020 International Dump Truck was understated by \$121,925.
6. In 2022, the annual lease payment for the 2022 International Dump Truck was overstated by \$105,000.
7. In 2022, a lease for a 2021 Ford Explorer and 2022 Red International was not reported on the lease schedule which understated the annual lease payment by \$44,965 and \$49,281, respectively.

Adjustments were proposed, accepted by the County, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report of the County.

The capital asset information entered into Gateway contained the following errors:

1. In 2021, the ending balance reported for infrastructure was overstated by \$4,430,911.
2. In 2021, the ending balance reported for machinery, equipment, and vehicles was overstated by \$662,547.
3. In 2022, the ending balance reported for infrastructure was overstated by \$4,510,711.
4. In 2022, the ending balance reported for buildings was overstated by \$52,525.
5. In 2022, the ending balance reported for improvements other than buildings was overstated by \$1,160,764.
6. In 2022, the ending balance reported for machinery, equipment, and vehicles was overstated by \$662,547.

Adjustments were proposed, accepted by the County, and made to the Schedule of Capital Assets presented as Other Information in the Financial Statement Audit Report of the County.

The account receivable information entered into Gateway could not be verified due to the County not being able to provide accurate supporting documentation for the amount reported for accounts receivable in 2021 and 2022.

No adjustments were proposed or made to the Schedule of Payables and Receivables, and the County decided to not present this schedule in the Financial Statement Audit Report.

Criteria

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](#)."

COUNTY AUDITOR
TIPTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

ERRORS ON CLAIMS

Condition and Context

Of the 15 claims tested for compliance, 5 claims were not approved by the fiscal officer or governing body.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

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

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (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. . . ."

CAPITAL ASSETS

Condition and Context

The County maintains a listing of capital assets with each department being responsible for updating its capital assets in the County's capital asset software; however, the capital assets listing was not properly updated. Only four additions and no disposals were recorded in the capital asset listing during the audit period. However, during the audit, additional acquisitions and disposals of capital assets were noted that were not recorded to the capital asset listing.

The County did not perform a complete physical inventory at least every two years.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY AUDITOR
TIPTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

ANNUAL FINANCIAL REPORT FILED LATE

Condition and Context

The 2021 Annual Financial Report was due on March 1, 2022, but the County did not file until March 4, 2022, which was 3 days after the due date.

The 2022 Annual Financial Report was due on March 1, 2023, but the County did not file until April 13, 2023, which was 43 days after the due date.

Criteria

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](#)."

CERTIFIED REPORT (FORM 100R) FILED AFTER DUE DATE

Condition and Context

The 2022 Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R) was due on January 31, 2023, but the County did not file it until April 3, 2023, which was 62 days after the due date.

Criteria

Indiana Code 5-11-13-1(b) states:

"Each audited entity shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of the officers, employees, and agents of the audited entity. The report shall indicate the respective duties and compensation of each officer, employee, and agent of the audited entity. The audited entity shall file the report in the office of the state examiner of the state board of accounts. The report must also indicate whether the political subdivision offers a health plan, a pension, and other benefits to full-time and part-time employees. However, no more than one (1) report covering the same officers, employees, and agents need be made from the state or any county, city, town, township, or school unit in any one year. The certification must be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

COUNTY AUDITOR
TIPTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The County certified on the Indiana Gateway for Government Units reporting system that the County trained on internal control standards in 2021 and 2022. However, not all employees who should have received training actually received training, so the certification was incorrect.

Criteria

Indiana Code 5-11-1-27(h) states in part:

"After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that: . . .

- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2).

The certification shall be filed with the state board of accounts at the same time as the annual financial report required by section 4(a) of this chapter is filed. The certification shall be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

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](#)."

COUNTY AUDITOR
TIPTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 21, 2023, with Melissa Pickering, County Auditor; Gregg Townsend, County Treasurer; Dennis Henderson, President of the Board of County Commissioners; and Jim Ashley, President of the County Council.

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BOARD OF COUNTY COMMISSIONERS
TIPTON COUNTY

BOARD OF COUNTY COMMISSIONERS
TIPTON COUNTY
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The County adopted the acceptable minimum level of internal control standards as required by IC 5-11-1-27(g) but did not provide training to all employees who should have received training. Three of the five employees hired during 2021 and 2022 who should have received training did not receive training on internal controls.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

BOARD OF COUNTY COMMISSIONERS
TIPTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 21, 2023, with Melissa Pickering, County Auditor; Gregg Townsend, County Treasurer; Dennis Henderson, President of the Board of County Commissioners; and Jim Ashley, President of the County Council.