

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

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TIPTON COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED

02/26/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Melissa Pickering (Vacant) Jon DeBaun	01-01-23 to 06-26-24 06-27-24 to 08-11-24 08-12-24 to 12-31-25
County Treasurer	Gregg Townsend	01-01-23 to 12-31-25
Clerk of the Circuit Court	Christy Crawford	01-01-23 to 12-31-25
County Sheriff	Matthew Tebbe	01-01-23 to 12-31-25
County Recorder	Shelia Hook Debra Bibble	01-01-23 to 12-31-24 01-01-25 to 12-31-25
President of the Board of County Commissioners	Dennis Henderson	01-01-23 to 12-31-25
President of the County Council	Jim Ashley Michael Terry	01-01-23 to 12-31-23 01-01-24 to 12-31-25



Paul D. Joyce, CPA
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INDIANA STATE BOARD OF ACCOUNTS

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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, 2023 to December 31, 2023. 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

February 5, 2025



COUNTY AUDITOR
TIPTON COUNTY

COUNTY AUDITOR
TIPTON COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

A similar comment appeared in prior Report 000001000S, entitled *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 investment, receipts, disbursements, information and communication, and risk assessment.

Financial Close and Reporting

The County did not have a system of internal controls over the preparation of the Annual Financial Report entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement.

Cash and Investment

The County did not have a system of internal controls over the County Auditor's reconciliation of the Monthly Financial Statement (Form 61) to ensure it had been performed monthly and that the County Treasurer's and County Auditor's independently prepared statements were reconciled.

Receipts

Receipts were recorded to the financial accounting systems without evidence of an oversight or review process to ensure the accuracy, completeness, and classification of the recording of receipts.

Disbursements

The County did not implement an oversight or review process to ensure the disbursements were properly recorded. Additionally, the County did not establish an effective system of internal controls over new employees entered into the payroll accounting software, and the County did not have an effective system of internal controls over existing employees' annual pay rate according to the salary ordinance.

Information and Communication

The County did not have a process that ensures relevant information is shared throughout the organization.

Risk Assessment

The County did not have a process to identify and assess internal and external risks to the achievement of objectives and then establish risk tolerances. Accordingly, there was no basis for determining how risk would be managed.

COUNTY AUDITOR
TIPTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

INTERNAL CONTROLS OVER COMPLIANCE

Condition and Context

Effective internal controls were not in place to ensure compliance with applicable laws and regulations related to:

- Annual Financial Report
- Annual Financial Report Filed Late
- Certified Report (Form 100R) Filed After Due Date
- Certification on Internal Control Standards
- Capital Assets
- Overdrawn Cash Balances

The noncompliance issues are explained in more detail in the comments below.

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:

COUNTY AUDITOR
TIPTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

"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.

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ANNUAL FINANCIAL REPORT

Similar comments appeared in prior Report 000001000S, entitled *ANNUAL FINANCIAL REPORT* and *ANNUAL FINANCIAL REPORT - OTHER INFORMATION*.

Condition and Context

The County had not established effective internal controls over the financial information and other information entered in the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of 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 included the following errors:

Financial Data

- An investment fund titled "Total Monies" was incorrectly reported in the AFR, which overstated receipts and disbursements by \$8,231,948.
- There were numerous other errors to various funds that resulted in a net understatement of beginning balances of \$1,288,013, a net understatement of receipts of \$2,010,104, a net understatement of disbursements of \$3,172,934, and a net understatement of ending balances of \$125,183.

Audit adjustments were proposed, accepted by the County, and made to the financial statement and the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the County.

Leases and Debt

- The County reported lease payments on the lease schedule that ended in 2022 and should not have been reported. This resulted in an overstatement of lease payments of \$66,005.
- The County did not report annual lease payments for two leases that should have been reported on the leases schedule, resulting in a \$1,192,083 understatement of annual lease payments.

COUNTY AUDITOR
TIPTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- The County included the Lease Rental Revenue Bonds, Series 2018 (Jail Project) as a bond in the AFR instead of a lease. This resulted in a \$6,758,000 overstatement in both the ending principal balance and principal due within one year for bonds.
- The County incorrectly reported the Economic Development Revenue Bond Series 2010 ending principal balance and principal and interest due in one year. This resulted in an understatement of \$1,824,816 for the ending principal balance and an overstatement of \$2,665,876 of the principal due within one year.
- Additional misstatements to ending principal balance and principal and interest due in one year resulted in an understatement of \$168,420 of ending principal balance and a net overstatement for principal and interest due in one year of \$1,443,949.
- The County opted to omit the Schedule of Leases and Debt from the Financial Statement Audit Report of the County.

Capital Asset Schedule

- The County reported Infrastructure of \$108,694,828; however, this amount was not supported by the County's records.
- Additional misstatements to buildings, improvements other than buildings, and machinery and equipment resulted in a net overstatement of \$383,109.
- The County opted to omit the Schedule of Capital Assets from the Financial Statement Audit Report of the County.

Accounts Payable and Accounts Receivable Schedule

- The accounts payable was reported as \$221,331, and accounts receivable was reported as \$3,180,087. However, the County could not provide documentation to support the amounts reported.
- The County opted to omit the Schedule of Payables and Receivables from 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 as set forth in the uniform compliance guidelines. 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)

ANNUAL FINANCIAL REPORT FILED LATE

The same comment appeared in prior Report 000001000S.

Condition and Context

The 2023 Annual Financial Report was due on February 29, 2024, but the County did not file until April 8, 2024, which was 39 days after the due date.

Criteria

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for County Auditors of Indiana, Chapter 1)

CERTIFIED REPORT (FORM 100R) FILED AFTER DUE DATE

The same comment appeared in prior Report 000001000S.

Condition and Context

The 2023 Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R) was due on January 31, 2024, but the County did not file it until April 1, 2024, which was 61 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](#)."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The same comment appeared in prior Report 000001000S.

Condition and Context

The County certified in the Indiana Gateway for Government Units financial reporting system that all required County personnel had received training concerning the internal control standards as required by Indiana Code 5-11-1-27(g). The certification was made incorrectly, as not all required personnel received training on internal control standards.

COUNTY AUDITOR
TIPTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 as set forth in the uniform compliance guidelines. 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](#)."

CAPITAL ASSETS

The same comment appeared in prior Report 000001000S.

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 asset listing was not properly updated. Two of five capital asset additions tested were not added to the capital asset listing.

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 County Auditors of Indiana, Chapter 1)

OVERDRAWN CASH BALANCES

This same comment appeared in a Management Letter addressed to the County Auditor for the period ending December 31, 2022.

COUNTY AUDITOR
TIPTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Condition and Context

The financial statement contains some funds with deficits in cash. The Allocation Fund 28/31W had a negative cash balance of \$75,444 at December 31, 2023, due to disbursements from the fund and having no receipts into the fund for the year and starting with a beginning negative cash balance. The Tax Sax Redemption fund had a negative cash balance of \$84,984 at December 31, 2023, due to disbursements from the fund exceeding receipts into the fund for the year and starting with a beginning negative cash balance.

Criteria

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 unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR
TIPTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 5, 2025, with Jon DeBaun, County Auditor; Nancy Cline, County Commissioner; and Dennis Henderson, President of the Board of County Commissioners.



COUNTY SHERIFF
TIPTON COUNTY

COUNTY SHERIFF
TIPTON COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

Proper internal controls, including segregation of duties, had not been established for the County Sheriff's Department. One individual was responsible for performing bank reconciliations without a documented oversight, review, or approval process to ensure the accuracy of the financial transactions and reporting.

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:

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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. . . ."

SHERIFF'S SUPPLEMENTAL ANNUAL REPORT

This same comment appeared in a Management Letter addressed to the County Sheriff for the period ending December 31, 2022.

Condition and Context

The County had not established effective internal controls over the County Sheriff's Supplemental Annual Report to ensure compliance with annual reporting requirements.

COUNTY SHERIFF
TIPTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The financial activity reported on the Supplemental Annual Report and, subsequently, the County Auditor's Annual Financial Report included the activity for the Sheriff's Commissary Funds and Inmate Trust Funds as one combined fund.

Criteria

Indiana Code 36-8-10-21 states:

"(a) This section applies to any county that has a jail commissary that sells merchandise to inmates.

(b) A jail commissary fund is established, referred to in this section as 'the fund.' The fund is separate from the general fund, and money in the fund does not revert to the general fund.

(c) The sheriff, or the sheriff's designee, shall deposit all money from commissary sales into the fund, which the sheriff or the sheriff's designee shall keep in a depository designated under [IC 5-13-8](#). . . .

(e) The sheriff shall maintain a record of the fund's receipts and disbursements. The state board of accounts shall prescribe the form for this record. The sheriff shall semiannually provide a copy of this record of receipts and disbursements to the county fiscal body. The semiannual reports are due on July 1 and December 31 of each year."

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

The supplemental annual report forms are submitted by other county offices and departments to be used by the county auditor to provide complete financial information for the annual report by reporting financial activity that is maintained outside of the county auditor's system. The supplemental annual reports are only to be submitted with financial activity that is not eventually accounted for in the county's general ledger system. (The County Bulletin and Uniform Compliance Guidelines, December 2023)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF
TIPTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 5, 2025, with Matthew Tebbe, County Sheriff; Jon DeBaun, County Auditor; Nancy Cline, County Commissioner; and Dennis Henderson, President of the Board of County Commissioners.

BOARD OF COUNTY COMMISSIONERS
TIPTON COUNTY

BOARD OF COUNTY COMMISSIONERS
TIPTON COUNTY
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

The same comment appeared in prior Report 000001000S.

Condition and Context

Adequate internal controls were not in place to ensure compliance with internal control training requirements. The County adopted the acceptable minimum level of internal control standards as required by Indiana Code 5-11-1-27(g), but the County could not provide evidence that required employees received training.

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 Oadopted by the political subdivision."

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:

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BOARD OF COUNTY COMMISSIONERS
TIPTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 5, 2025, with Jon DeBaun, County Auditor; Nancy Cline, County Commissioner; and Dennis Henderson, President of the Board of County Commissioners.