

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TIPTON COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
08/03/2017

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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
County Treasurer	Bonita Guffey Suzanne Alexander	01-01-11 to 12-31-14 01-01-15 to 12-31-18
Clerk of the Circuit Court	Deborah Tragesser	01-01-11 to 12-31-18
County Sheriff	John Moses Tony D. Frawley	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Recorder	Marla Featherstone Sheila D. Hook	01-01-13 to 12-31-16 01-01-17 to 12-31-20
President of the Board of County Commissioners	Phil Heron Joe VanBibber Jim Mullins	01-01-14 to 12-31-14 01-01-15 to 12-31-16 01-01-17 to 12-31-17
President of the County Council	Dennis Henderson James L. Powell Beth Roach	01-01-14 to 12-31-14 01-01-15 to 12-31-16 01-01-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF TIPTON COUNTY, INDIANA

This report is supplemental to our audit report of Tipton 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 Findings, identified in the above referenced audit report, are 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 Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

June 12, 2017

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COUNTY AUDITOR
TIPTON COUNTY

COUNTY AUDITOR
TIPTON COUNTY
FEDERAL FINDINGS

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

Condition

The County had deficiencies in their internal control system related to financial transactions and reporting in the following areas:

1. Lack of Segregation of Duties: The County had not separated incompatible activities related to the Clerk of the Circuit Court's office receipts and disbursements. Within the Clerk of the Circuit Court's office, all individuals had the ability to collect funds and post receipts, and all individuals had the ability to generate checks, which are posted automatically by the system.
2. Lack of Oversight over Financial Statement: The County Auditor processed the financial close and reporting of the County's financial information by submitting the financial information into the Indiana Gateway for Government Units, which is a financial reporting system and the source of the Annual Financial Report (AFR) and financial statement. There was no control in place to ensure the accuracy of the financial information prior to the submission. As a result, the AFR and financial statement contained the following material errors: the beginning balance was overstated by \$1,246,957, receipts were overstated by \$280,369, and disbursements were overstated by \$468,355.

Audit adjustments were proposed, accepted by the County, and made to the financial statement.

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. . . ."

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."

COUNTY AUDITOR
TIPTON COUNTY
FEDERAL FINDINGS
(Continued)

Cause

Management of the County had not established a proper system of internal control.

Effect

The failure to establish controls enabled material misstatements or irregularities to remain undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2014-002 - PREPARATION OF THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS**

Condition

The County did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

Due to the lack of controls, the following errors occurred on the SEFA:

- Vendor payments of \$500,673 were incorrectly reported as pass-through to subrecipients.
- Expenditures for the Community Development Block Grant (CFDA #14.228) were overstated by \$1,000,000.
- Expenditures for the Child Support Enforcement (CFDA #93.563) were understated by \$27,576.

Audit adjustments were proposed, accepted by the County, and made to the SEFA.

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.

COUNTY AUDITOR
TIPTON COUNTY
FEDERAL FINDINGS
(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. . . ."

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section .310. . . ."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Because a proper system of internal control was not in place, material misstatements of the SEFA remained undetected.

COUNTY AUDITOR
TIPTON COUNTY
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2014-003 - INTERNAL CONTROL OVER COMMUNITY DEVELOPMENT
BLOCK GRANTS/STATE'S PROGRAM AND NONENTITLEMENT GRANTS IN HAWAII**

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's Program
and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): EMW-2012-EP-0017

Pass-Through Entity: Indiana Housing and Community Development Authority

Condition

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Cost/Cost Principles, Davis-Bacon Act, Period of Availability, and Special Tests and Provisions - Citizen Participation.

The County contracted with a Grant Administrator who was responsible for handling all activities of the grant. There were no control procedures in place to ensure that amounts expended from grant funds were for allowable activities or allowable costs, complied with the Davis-Bacon Act requirements, or were within the period of availability. Additionally, there were no control procedures in place to ensure that citizen participation requirements per the grant agreement were followed.

Context

The lack of controls was a systemic problem during the period audited.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with the compliance requirements listed above.

COUNTY AUDITOR
TIPTON COUNTY
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

GREGG A. TOWNSEND, TIPTON COUNTY AUDITOR

TIPTON COUNTY COURTHOUSE 101 E. JEFFERSON ST. TIPTON, IN 46072 PHONE: 765.675.2794

June 7, 2017

Finding 2014-001 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Persons: Deborah Tragesser, County Clerk

Gregg Townsend, County Auditor

Contact Numbers: (765)675-2795 (Clerk) (765)675-2794 (Auditor)

Anticipated Completion Date: Immediately

Corrective Action Plan

1) Clerk: Deputies can only receipt under their individual log in id. Only ISETS checks can be printed by any employee. ISETS is a canned program that will not allow changes to payee. ISETS prints checks once after over-night generation. Odyssey checks are only printed by the Clerk. The First Deputy is being trained to review the disbursement summary in Odyssey. Receipts specifically identify the payer and the receipt is given to the payer upon payment.

2) Auditor: The annual financial report will be prepared by the County Auditor, reviewed and entered by the First Deputy, and reviewed by the Auditor prior to final submission.

Finding 2014-002 – PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person: Gregg Townsend, County Auditor

Contact Number: (765)675-2794

Anticipated Completion Date: Immediately

Corrective Action Plan

We believe the errors were, in part a result of learning the reporting expectations and definitions on the grant portion of the annual report. The \$1 Million overstatement of expenditures had to do with the question "Amount of Insurance in effect during the Year." The community development block grant for migrant housing required a \$1 Million liability policy, hence the entry. This amount was also reported on the 2013 annual report, but was not questioned in the field examination for that year, so that same amount has been reported for 2013, 2014, and 2015, thinking that is was a correct response for that column. The report for 2016 was reported as zero.

Going forward, the Auditor will prepare and First Deputy, who is my only financial deputy, will review and enter the schedule of Expenditures of Federal Awards, and the Auditor will review before submission. Subsequent to the issuance of the State Examiner's Uniform Internal Control Standards for Indiana Political Subdivisions in September of 2015, and the July 1, 2016 requirement for training in internal controls in IC 5-11-1-27(g), all county employees who handle funds on behalf of the county have been required to receive training provided by the SBOA and certify to that training. Department Heads report their expenditures of grant funds to the respective State pass-through agencies.

Finding 2014-003 - INTERNAL CONTROL OVER COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NONENTITLEMENT GRANTS IN HAWAII

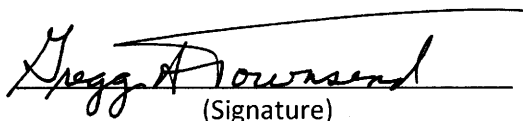
Contact Person: Gregg Townsend, County Auditor

Contact Number: (765)675-2794

Anticipated Completion Date: Immediately

Corrective Action Plan

We believed, in 2014, that employing a Grant Administrator to handle all activities of the grant was sufficient to assure accuracy and compliance with the terms of the grant. All claims and payroll were submitted to Area 5 Agency on Aging and Community Services for review before submission to the grant provider, the Indiana Housing and Community Development Authority. Both agencies reviewed the submissions for accuracy and compliance. When the State agency approved the claim, Area 5 sent the Tipton County Auditor an email stating approval and the approximate date of the electronic funds transfer to the County's local bank. A screen shot of the bank account was obtained from the County Treasurer and the claim was paid within the five calendar days of availability. The Auditor sent copies of the bank statement and check to Area 5 to verify timely and accurate payment of the claim. He also sent copies of the front and back of the endorsed checks. Every claim was paid, in the correct amount, to the correct vendors, within the time of availability. All funds were accounted for and the claims and payroll records for the grant, at Area 5, were audited by the State agency before issuing the close-out letter for the grant. The Auditor's Office carefully followed all instructions provided to them by Area 5. The Auditor handled all details of the grant until the newly hired claims deputy was fully trained and able to process claims under the direct supervision of the Auditor. Going forward, the First Deputy, who is my claims deputy and only financial deputy, will process claims, under the supervision and review of the Auditor.


(Signature)

Tipton County Auditor
(Title)

June 7, 2017
(Date)

COUNTY AUDITOR
TIPTON COUNTY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balances of the following funds were overdrawn at December 31, 2014:

Fund	Amount Overdrawn
Accident Report	\$ 1,559
County Id Security Protection	13
Surplus Tax	7,621
2008 TIF Sinking Fund	700
New Payroll Clearing	38,598
CEDIT Homestead	1,999
CEDIT Distribution	423

A similar comment appeared in prior Report B45098.

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.

In an instance in which a unit receives a reimbursement grant, the unit must be claiming reimbursement in a timely manner. In this case, it would be possible for a fund to be overdrawn for a short period of time. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

ANNUAL FINANCIAL REPORT

The Annual Financial Report (AFR) for 2014 was filed late and contained errors in some schedules. The following issues were noted:

- The AFR for 2014 was not filed electronically until March 18, 2015, which was 17 days late.
- The Schedule of Leases and Debt within the AFR was incorrectly prepared. The overall annual lease payments were overstated by \$48,570, and the overall ending principle balance of the debt was overstated by \$34,143.

COUNTY AUDITOR
TIPTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- The Schedule of Payables and Receivables within the AFR was not prepared by the unit.

A similar comment appeared in prior Report B45098.

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."

FORM 1099s NOT ISSUED FOR DRAINAGE WORK

Form 1099s were not issued to vendors for work paid from the Drainage Improvement or Drainage Maintenance funds. There were 24 vendors that received more than \$600 from the funds tested in 2014. Of those 24 vendors, 23 were not issued a 1099. One vendor was issued a 1099; however, not all payments were included on the 1099 issued.

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 AUDITOR
TIPTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 12, 2017, with Gregg Townsend, County Auditor; Jim Mullins, President of the Board of County Commissioners; and Beth Roach, President of the County Council.

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COUNTY HEALTH DEPARTMENT
TIPTON COUNTY

COUNTY HEALTH DEPARTMENT
TIPTON COUNTY
AUDIT RESULT AND COMMENT

DEPOSITS

Receipts were deposited later than the next business day in 100 percent of receipts tested. Receipts were remitted to the County Treasurer and quietus written twice a month on average. Some collections were held up to as long as thirty-seven days before being deposited.

A similar comment appeared in prior Reports B45099, B45092, B41833, and B39676.

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 . . ."



Tipton County

Health Department

*101 E. Jefferson Street
Tipton, Indiana 46072
(765) 675-8741*

June 12, 2017

This letter shall stand as the official response from the Tipton County Health Department, in regards to the State Board of Accounts Financial Audit of 2014.

As of September 12, 2016 the Tipton County Health Department has been making all monetary deposits daily in accordance with IC 5-13-6-1.

Respectfully,

A handwritten signature in cursive script, appearing to read "Lindsey Ogden".

Lindsey Ogden

Office Manager

COUNTY HEALTH DEPARTMENT
TIPTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 12, 2017, with Lindsey Ogden, Office Manager; Debby Bennington, President of the County Health Board; Jim Mullins, President of the Board of County Commissioners; and Beth Roach, President of the County Council.

COUNTY PROSECUTING ATTORNEY
TIPTON COUNTY

COUNTY PROSECUTING ATTORNEY
TIPTON COUNTY
AUDIT RESULTS AND COMMENTS

DEPOSITS

Receipts were deposited later than the next business day in 25 percent of receipts tested. These receipts were deposited at the bank in delays ranging from five to fourteen days.

A similar comment appeared in prior Reports B45100, B45093, B41834, and B39678.

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 . . ."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for audit for 2014.

A similar comment appeared in prior Reports B45100, B45093, B41834, and B39678.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

COUNTY PROSECUTING ATTORNEY
TIPTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 12, 2017, with Sara F. Pearce, Investigator; Jim Mullins, President of the Board of County Commissioners; and Beth Roach, President of the County Council.