

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TIPPECANOE COUNTY, INDIANA

January 1, 2017 to December 31, 2017



**FILED**  
10/18/2018



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Robert A. Plantenga	01-01-15 to 12-31-18
County Treasurer	Jennifer Weston	01-01-17 to 12-31-20
Clerk of the Circuit Court	Christa Coffey	01-01-15 to 12-31-18
County Sheriff	Barry Richard	01-01-15 to 12-31-18
County Recorder	Shannon Withers	01-01-15 to 12-31-18
President of the Board of County Commissioners	Tracy Brown Thomas P. Murtaugh	01-01-17 to 12-31-17 01-01-18 to 12-31-18
President of the County Council	John R. Basham II	01-01-17 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

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, 2017 to December 31, 2017. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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](http://www.in.gov/sboa).

The Federal Finding, identified in the above referenced audit report, is included in this report.

Any Corrective Action Plan for the Federal Finding, incorporated within this report, was not verified for accuracy.

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

October 1, 2018

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COUNTY AUDITOR  
TIPPECANOE COUNTY

COUNTY AUDITOR  
TIPPECANOE COUNTY  
FEDERAL FINDING

***FINDING 2017-001***

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat of Finding 2016-001 from the immediately prior audit.

*Condition*

There were deficiencies in the internal control system of the County related to financial transactions and reporting. The County had not established effective internal controls over activities related to the Annual Financial Report (AFR) and financial statement.

The Deputy County Auditor input the County's financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which is the source of the AFR and the financial statement. The County Auditor verified the financial information that was entered in Gateway; however, this verification was not effective in detecting material misstatements.

*Context*

The following errors occurred on the AFR and the financial statement:

The receipts and disbursements of the Payroll Clearing fund were understated in Gateway by material amounts. Payroll transactions were not properly uploaded by the software when preparing the source information for the AFR. The cash and investments balances were not affected since both receipts and disbursements were overstated by \$23,626,329.

Audit adjustments were proposed, accepted by the County, and made to the AFR and 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:

COUNTY AUDITOR  
TIPPECANOE COUNTY  
FEDERAL FINDING  
(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.

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](#)."

*Cause*

Management of the County had not established a proper system of internal control. An evaluation for the County's system of internal control had not been conducted.

*Effect*

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

*Recommendation*

We recommended that the County establish a system of internal controls related to financial transactions and reporting. We also recommended that the county properly report the activities of all funds on their Annual Financial Report and financial statement.

*Views of Responsible Officials*

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



**TIPPECANOE COUNTY  
AUDITOR**

**Robert A. Plantenga**  
20 North 3<sup>rd</sup> Street  
Lafayette, Indiana 47901-1214

**CORRECTIVE ACTION PLAN**

***FINDING 2017-001***

Contact Person Responsible for Corrective Action:  
Contact Phone Number:

Robert A. Plantenga  
(765)423-9130

Views of Responsible Official:

The Payroll Clearing Fund is simply different than other funds. As we became more comfortable with reports from our new financial system, we implemented those reports in the creation of other deliverables. For the 2017 Annual Report, we used data from a Budget to Actual report to populate receipt and disbursement fields in Gateway. Whereas the cash activity in all other funds can also be derived & expressed by the aggregation of activity in revenue and expense accounts within a fund, the PR Clearing Fund activity is rather an accumulation of offsets settling temporary liabilities. The PR Clearing Fund had no true revenues or expenses, as they are accounted for in other funds, and this zero expense & revenue activity is what we initially entered into Gateway.

Description of Corrective Action Plan:

We are enhancing our review of fund receipts & disbursements to conduct a more analytical review of year-over-year AFR data to identify significant changes, rather than mere comparative review of current year source data, prior to Gateway submittal. The Budget to Actual report is still the most useful data source for categorizing fund revenues and expenses, and we intend to continue using the report. However, in the future all fund receipt and disbursement activity will be verified with comparison to fund asset account activity prior to Gateway submittal.

Anticipated Completion Date:

Plan in place as of August 3, 2018. Implementation prior to submittal of 2018 AFR.

Robert A. Plantenga  
(Signature)

Tippecanoe County Auditor  
(Title)

October 1, 2018  
(Date)

COUNTY AUDITOR  
TIPPECANOE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 1, 2018, with Robert A. Plantenga, County Auditor; Jeremy Diehl, Deputy County Auditor; Thomas P. Murtaugh, President of the Board of County Commissioners; and John R. Basham II, President of the County Council.