

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAWRENCE TOWNSHIP

MARION COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED

04/11/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Steve Talley	01-01-19 to 12-31-24
Judge	Honorable Kimberly J. Bacon	01-01-19 to 12-31-24
Chair of the Township Board	Fred Freeman	01-01-19 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF LAWRENCE TOWNSHIP, MARION COUNTY, INDIANA

This report is supplemental to the audit report of Lawrence Township (Township), for the period from January 1, 2019 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 Township. It should be read in conjunction with the Financial Statements Audit Report of the Township, which provides our opinions on the Township's financial statements. 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 29, 2024

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TOWNSHIP TRUSTEE
LAWRENCE TOWNSHIP, MARION COUNTY

TOWNSHIP TRUSTEE
LAWRENCE TOWNSHIP, MARION COUNTY
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

Condition and Context

The Township did not have a detailed listing of capital assets that agreed with the information reported in the Indiana Gateway for Government Units financial reporting system. The Township did not have a capital asset policy approved by the Township Board. The Township did not take a physical inventory of capital assets within the last 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 Townships, Chapter 1)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

Condition and Context

The Township did not have a system of internal controls and had not separated incompatible activities related to receipts, payroll, and financial close and reporting.

Receipts

One individual was responsible for issuing, recording, and reconciling receipts without any review or oversight by another individual.

Payroll

One individual was responsible for reporting, recording, and reconciling payroll without any review or oversight by another individual.

Financial Close and Reporting

One individual was responsible for uploading information into the Indiana Gateway for Government Units financial reporting system without any review or oversight by another individual prior to submission to ensure accuracy.

TOWNSHIP TRUSTEE
LAWRENCE TOWNSHIP, MARION 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. . . ."

OVERDRAWN CASH BALANCES

Condition and Context

The Small Claims Court Fees fund had an overdrawn cash balance of \$9,453, \$24,818, \$10,966, and \$589 at December 31, 2019, 2020, 2021, and 2022, respectively. The Payroll Deductions fund had an overdrawn cash balance of \$968 at December 31, 2019.

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 Townships, Chapter 1)



OFFICE OF THE LAWRENCE TOWNSHIP TRUSTEE

March 5, 2024

STEVE TALLEY, TRUSTEE

Indiana State Board of Accounts
302 West Washington Street
Room E418
Indianapolis, IN 46204

"OFFICIAL RESPONSE"

RE: Response to Audit Results and Comments

Dear State Board of Accounts:

On behalf of the Lawrence Township Trustees Office, I submit the following responses to the recent audit of Lawrence Township for the period of January 1, 2019, through December 31, 2022.

During the State Board of Accounts ("SBOA") audit, the SBOA noted that Township administration is required to maintain a Capital Asset Ledger and submit a perform a complete inventory of Capital Assets once every two years. A second note from SBOA was that oversight and review was needed to ensure any potential mistakes were timely identified during certain accounting processes.

In response to these notes, Lawrence Township has put in place additional internal controls to ensure proper oversight and financial functioning of the office.

- The Township submitted a Resolution to the Advisory Board for the establishment of a Capital Asset Policy, which was approved and in effect as of this writing.
- An employee will inventory Capital Assets in accordance with the SBOA audit note and the Resolution passed by the Advisory Board.
- The Township will perform biannual inventory of Capital Assets moving forward.
- Financial reporting to Gateway, receipts, payroll and will be prepared by one employee and reviewed by a second employee before submission. The second employee will bring any discrepancies back for correction before stamping and signing that a review has been completed.

I hope this addresses the audit notes from SBOA to satisfaction. As always, I remain committed to working with SBOA to improve transparency and accountability.

Respectfully submitted,

Steve Talley, Trustee
Lawrence Township, Marion County

4455 McCoy Street, Suite 100 • Indianapolis, IN 46226
Phone: (317) 890-0011 • Fax: (317) 890-1147
Email: stalley@lawtwp.org • Website: www.lawtwp.org

TOWNSHIP TRUSTEE
LAWRENCE TOWNSHIP, MARION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 29, 2024, with Steve Talley, Trustee; Fred Freeman, Chair of the Township Board; Becky Lightle, Chief Finance Officer; and Derek Morris, Deputy Trustee.

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SMALL CLAIMS COURT
LAWRENCE TOWNSHIP, MARION COUNTY

SMALL CLAIMS COURT
LAWRENCE TOWNSHIP, MARION COUNTY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

A similar comment appeared in prior Reports B49304 and B53561, entitled *BANK ACCOUNT RECONCILIATIONS*.

Condition and Context

Depository reconciliations of the fund balances to the bank account balances of the Township Small Claims Court were not conducted timely. The December 31, 2019 and 2020 reconciliations were provided somewhat timely when requested. The monthly reconcilments for January 2019 through August 2021 were made available on January 3, 2024. The December 31, 2021 reconciliation was not provided for audit until January 18, 2024. The December 31, 2022 reconciliation has not been performed as of January 29, 2024.

The December 31, 2019, 2020, and 2021 bank account reconciliations were not complete as they were short in the amounts of \$24,262, \$26,531, and \$19,081, respectively. These amounts were reported on the reconcilments as miscellaneous reconciling items without supporting documentation.

The Township Small Claims Court does not separate incompatible activities related to monthly bank reconciliations. One employee completed the monthly bank reconciliation, and no internal controls were documented such as another employee confirming and verifying the reconciliations for accuracy and completeness. The failure to establish internal controls enabled misstatements to occur and remain undetected.

Criteria

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."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

TRUST ITEMS OVER FIVE YEARS OLD

A similar comment also appeared in prior Report B53561, entitled *TRUST ITEMS OVER FIVE YEARS OLD*.

Condition and Context

Depository reconciliations performed by the Small Claims Court as of December 31, 2019, 2020, and 2021, reported outstanding checks that dated back to January 7, 2011, which were outstanding for more than five years. The December 31, 2022 reconciliation is not completed as of January 29, 2024.

SMALL CLAIMS COURT
LAWRENCE TOWNSHIP, MARION COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

Indiana Code 32-34-1-20(c) states in part:

"Property that is held, issued, or owed in the ordinary course of a holder's business is presumed abandoned if the owner or apparent owner has not communicated in writing with the holder concerning the property or has not otherwise given an indication of interest in the property during the following times: . . .

- (6) For property or proceeds held by a court or a court clerk, five (5) years after the property or proceeds become distributable. The property or proceeds must be treated as unclaimed property under [IC 32-34-3](#). . . ."

Indiana Code 32-34-1-26(a) states:

"A holder of property that is presumed abandoned and that is subject to custody as unclaimed property under this chapter shall report in writing to the attorney general concerning the property. Items of value of less than fifty dollars (\$50) may be reported by the holder in the aggregate."

Indiana Code 32-34-1-27(a) states: "Except as provided in subsections (b) and (c), on the date a report is filed under section 26 of this chapter, the holder shall pay or deliver to the attorney general the property that is described in the report as unclaimed."

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

A similar comment appeared in prior Reports B49304 and B53561, entitled *INTERNAL CONTROLS*.

Condition and Context

The Small Claims Court (Court) had not separated incompatible activities related to cash and investments. Bank reconciliations of the Court's ledger to the depository balances were not being performed on a timely basis. Neither was there a documented review or oversight function in place.

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. . . .

SMALL CLAIMS COURT
LAWRENCE TOWNSHIP, MARION COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

OVERDRAWN CASH BALANCES

Condition and Context

The Township Small Claims Court had overdrawn cash balances in the Small Claims Court Fees fund of \$9,453, \$24,818, \$10,966, and \$589 at December 31, 2019, 2020, 2021, and 2022, respectively.

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 Townships, Chapter 1)



MARION COUNTY SMALL CLAIMS COURT
Lawrence Township Division

KIMBERLY J. BACON
Judge

4455 McCoy Street, Suite 200
Lawrence, Indiana 46226
Phone (317) 545-2369
Fax (317) 545-1662

OFFICIAL RESPONSE

March 12, 2024

State Examiner
Indiana State Board of Accounts
302 West Washington Street
Room East 418
Indianapolis, Indiana 46204-2765

RE: Lawrence Township Small Claims Court

Thank you for the opportunity to review, and respond to your findings. The Lawrence Township Small Claims Court remains committed to meeting the compliance standards set out by the SBOA. Our efforts have continued to focus on the work to resolve many of the issues that existed prior to my taking office. We will continue to prioritize issues as they present themselves based on their importance. This has proven to be a large task causing the court difficulty in being able to move forward. This is further complicated with the continuous turnover in this position of Financial Manager Clerk (FMC) as the job requires on-going focus, diligence, and continuity. In October 2023 the Court underwent a transition in the Financial Manager Clerk position from a full time to a part time with a final exit in Mid-January of 2024. The position was restored to full-time on January 22, 2024.

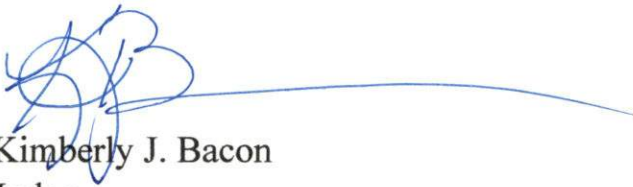
The SBOA investigator identified issues that remain unresolved but make no mistake we continue to work to address them as expeditiously as possible. We will continue to update our internal controls and forward checks to the Attorney General's office. Currently, we are working on bank reconciliations and will have those up to date within the next 6 months. Deposits will continue to be timely made at the end of the business day or within 2 hours of the bank opening the next morning. Deposits will be verified and approved daily by the FMC on a newly

created form for reconciliations and the check registers, and monthly by the Judge and Administrative Supervisor.

However, reconciling in Odyssey may be more difficult than once believed. With that being said, we have consulted with JTAC who consulted with SBOA to map out a resolution that will allow us to move forward in Odyssey, present progress to SBOA and ultimately resolve our issues. As we finalize our reconciliations in Odyssey and bank statements we will confer with the Trustee, and the Township Board if any adjustments are necessary.

In closing, I appreciate the State Board of Accounts bringing these matters to my attention. I look forward to working with you in the future as we progress with our updates.

Sincerely,



Kimberly J. Bacon
Judge

Lawrence Township Small Claims Court

SMALL CLAIMS COURT
LAWRENCE TOWNSHIP, MARION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 29, 2024, with Steve Talley, Trustee; Fred Freeman, Chair of the Township Board; Becky Lightle, Chief Finance Officer; Derek Morris, Deputy Trustee; and the Honorable Kimberly J. Bacon, Judge.