

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

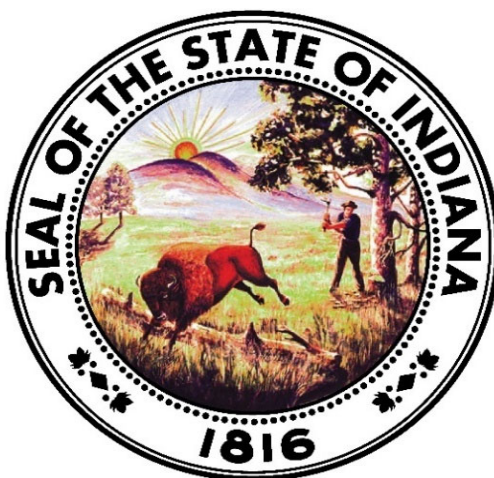
SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF LAWRENCE

MARION COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED
08/28/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Tyler Douthit Humphrey Nagila	01-01-23 to 12-31-23 01-01-24 to 12-31-24
Mayor	Steve Collier Deborah Whitfield	01-01-23 to 12-31-23 01-01-24 to 12-31-24
President of the Board of Public Works	Doug Reeser James Perron	01-01-23 to 12-31-23 01-01-24 to 12-31-24
President of the Common Council	William Tyrrell Giles Betty Robinson	01-01-23 to 12-31-23 01-01-24 to 12-31-24
President of the Utility Service Board	Steve Hall Tracy Boyd	01-01-23 to 12-31-23 01-01-24 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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TO: THE OFFICIALS OF THE CITY OF LAWRENCE, MARION COUNTY, INDIANA

This report is supplemental to the audit report of the City of Lawrence (City), 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 City. It should be read in conjunction with the Financial Statement Audit Report of the City, which provides our opinions on the City'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

August 15, 2024

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CITY CONTROLLER
CITY OF LAWRENCE

CITY CONTROLLER
CITY OF LAWRENCE
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The City had not established effective internal controls over the AFR information related to grant reporting entered into Gateway, which was the source of the Schedule of Expenditures of Federal Awards (SEFA). This resulted in the City omitting the following COVID-19 - Coronavirus State and Local Fiscal Recovery Funds from the grant reporting:

- SLFRF (ARPA) in the amount of \$1,134,984.
- The State Water Infrastructure Fund in the amount of \$1,922,844.

Adjustments were proposed, approved by the City, and made to the SEFA presented in the Federal Compliance Audit Report of the City.

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](#)."

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. . . ."

CITY CONTROLLER
CITY OF LAWRENCE
AUDIT RESULTS AND COMMENTS
(Continued)

STALE DATED OUTSTANDING CHECKS (WARRANTS)

This same comment appeared in prior Report 000000858S.

Condition and Context

Internal controls in place were not effective in ensuring that checks outstanding for a period of two or more years as of the last day of December of each year were voided.

At December 31, 2023, there were 313 outstanding checks totaling \$51,986 written in years 2017 through 2021.

Criteria

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void. . . ."

Indiana Code 5-11-10.5-3 states:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the:

- (1) board of finance of the political subdivision; or
- (2) fiscal body of a city or town.

The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision. However, in the case of a school corporation, the warrant or check shall be receipted into the operations fund."

CITY CONTROLLER
CITY OF LAWRENCE
AUDIT RESULTS AND COMMENTS
(Continued)

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"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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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. . . ."

CAPITAL ASSETS

This same comment appeared in prior Report 000000858S.

Condition and Context

Internal controls over the reporting and recording of capital assets was insufficient to ensure that amounts reported are supported by capital asset records. The Schedule of Capital Assets as presented in the Annual Financial Report (AFR) filed in the Indiana Gateway for Government Units (Gateway) financial reporting system at December 31, 2023, did not agree with the detailed capital asset listing provided. The City reported capital assets of \$345,583,289 in the AFR. The detailed capital asset listing provided reported capital assets of \$15,020,166. Infrastructure assets comprise the majority of the capital asset amounts reported in Gateway. The detailed listing provided by the City did not include many individual assets that would be classified as infrastructure.

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 Cities and Towns, Chapter 1)

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CITY CONTROLLER
CITY OF LAWRENCE
AUDIT RESULTS AND COMMENTS
(Continued)

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MONTHLY AND ANNUAL UPLOADS

This same comment appeared in a Management Letter addressed to the Officials of the City for the audit period ending December 31, 2022.

Condition and Context

Internal controls over monthly and annual uploads were insufficient to ensure the City complied with upload requirements. The City did not upload any of the monthly bank statements to the Indiana Gateway for Government Units financial reporting system.

Criteria

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

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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City of

LAWRENCE CONTROLLER'S OFFICE

Indiana

To Whom it may concern:

"On August 15, 2024, officials from the City of Lawrence (the "City") met for an exit conference with the Indiana State Board of Accounts ("SBOA"). This exit conference was to review the audit performed by the SBOA for calendar year 2023. The City was given the option of filing a response to be included in the final audit report or not. In keeping with the Whitfield Administration's ("Administration") commitment to transparency and the Mayor's wish to strive for excellence, particularly in financial reporting, the City has chosen to file this response.

During the exit conference, the City was presented with four findings. The City acknowledges and accepts these findings.

During the exit conference, the SBOA audit personnel thoroughly reviewed their findings with the Administration, and at the Administration's request, offered corrective suggestions. In addition to the findings, the Administration accepts the suggested corrective action solutions. The Mayor has instructed officials of her Administration to cause those suggested corrective actions to be carried out immediately.

Mayor Whitfield and her Administration wish to thank the SBOA for their work and are appreciative of their suggestions for enhanced fiscal reporting standards. The citizens of Lawrence can be assured of the Administration's commitment on their behalf and have already begun the needed good faith effort to cause those high standards to be reflected in the next and future audits."

9001 East 59th Street, Suite 300
Lawrence, Indiana 46216
317.542.4444

CITY CONTROLLER
CITY OF LAWRENCE
EXIT CONFERENCE

The contents of this report were discussed on August 15, 2024, with Humphrey Nagila, City Controller; Deborah Whitfield, Mayor; Betty Robinson, President of the Common Council; James Perron, President of the Board of Public Works; Shawn Fugate, Deputy City Controller; Barbara Lawrence, Board of Public Works member; and Zachary Brown, Board of Public Works member.