

**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, 2014 to December 31, 2016



**FILED**  
01/05/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Russell Brown Steve Talley	01-01-11 to 12-31-14 01-01-15 to 12-31-18
President of the Township Board	Emmajean Hines	01-01-14 to 12-31-17
Judge	Hon. Clark Rehme Hon. Kimberly Bacon	11-29-11 to 12-31-14 01-01-15 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our examination report of Lawrence Township (Township), for the period from January 1, 2014 to December 31, 2016. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Township. It should be read in conjunction with our Financial Statement Examination Report of the Township, which provides our opinion on the Township's financial statements. This report may be found at [www.in.gov/sboa/](http://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 Examination 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 Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

December 13, 2017

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TRUSTEE  
LAWRENCE TOWNSHIP, MARION COUNTY

TRUSTEE  
LAWRENCE TOWNSHIP, MARION COUNTY  
EXAMINATION RESULTS AND COMMENTS

***TRAINING ON INTERNAL CONTROL STANDARDS***

Township personnel did not receive the required training concerning internal control standards and procedures adopted by the Township Board.

Per Township Resolution No. 2016-8 Establishing Internal Control Standards and Procedures and Establishing a Materiality Threshold:

"The Trustee is direct [sic] to ensure that all Township personnel receive training concerning the Internal Control Standards adopted herein as expeditiously as possible, but no later than one hundred twenty (120) days after the adoption of this Resolution."

Indiana 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 adopted by the political subdivision."

***CERTIFICATION ON INTERNAL CONTROL STANDARDS***

The certification provided by the Township Fiscal Officer with the Annual Financial Report was not accurate. The Trustee incorrectly certified that the required personnel had received the training on internal control standards and procedures. The training was not completed by all applicable personnel.

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."





## OFFICE OF THE LAWRENCE TOWNSHIP TRUSTEE

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STEVE TALLEY, TRUSTEE

December 22, 2017

Indiana State Board of Accounts  
302 W. Washington St.  
Room E418  
Indianapolis, IN 46204

Re: Response to Examination Results and Comments

Dear State Board of Accounts,

Thank you for your recent audit of Lawrence Township for the period of January 1, 2014 through December 31, 2016. During the State Board of Accounts' ("SBOA") audit, the SBOA noted that all applicable Township personnel may not have received the required training concerning internal control standards and procedures. Along the same lines, the SBOA commented that the certification regarding internal control training for all applicable Township personnel (a check box on the Gateway system) may have been inaccurately marked.

While applicable Township employees previously received training pursuant to Ind. Code § 5-11-1-27, Lawrence Township, in an abundance of caution, undertook a process to train or re-train Township employees regarding internal control standards on December 20, 2017. This training consisted of Township employees reviewing the SBOA developed materials, including a video presentation, in accordance with applicable statutes.

To the extent the SBOA has any additional questions regarding this training session or the certification in relation thereto, please do not hesitate to contact me at your earliest convenience.

Respectfully Submitted,

Steve Talley, Trustee  
Lawrence Township  
Marion County, Indiana

TRUSTEE  
LAWRENCE TOWNSHIP, MARION COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 13, 2017, with Steve Talley, Trustee; Ray Biederman, Township Board member; Fred Freeman, Township Board member; Mark Bryson, Deputy Trustee; and Rebecca Lightle, Chief Financial Officer.

SMALL CLAIMS COURT  
LAWRENCE TOWNSHIP, MARION COUNTY

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

***DEPOSITORY RECONCILIATIONS***

Depository reconciliations of the fund balances to the bank account balances were only presented for December 31, 2014. Depository reconciliation procedures were conducted for 2015 and 2016; however, documentation for outstanding checks was not presented.

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."

***OVERDRAWN CASH BALANCES***

The Small Claims Court Trust Fund had overdrawn cash balances of \$20,182 and \$21,122 at December 31, 2015 and 2016, respectively.

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)

***ANNUAL FINANCIAL REPORT ERRORS***

The financial activity provided from the Small Claims Court to the Trustee for inclusion in the Township Annual Report was not accurate. The amounts submitted for 2014, 2015, and 2016, did not match the Small Claims Court's records. Errors noted included incorrect fund balances and receipts and disbursements reported in incorrect amounts.

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 Townships, Chapter 1)

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

**INTERNAL CONROLS**

Internal controls over cash and reporting for the financial activities were insufficient. The Small Claims Court has not separated incompatible activities related to recording, depository reconciliations and preparing and approving the information included in the Small Claims Court Supplemental Annual Financial Report. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

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. . . ."



**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**

December 22, 2017

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

**RE: Lawrence Township Small Claims Court**

Thank you for conducting your examination and providing a report of your findings.

The Court is committed to bringing itself into complete compliance with accounting practices required by the State Board of Accounts and has been continuously working on this since I began my term January 1, 2015. Early on when I came into office I recognized that accountability was important and that is why I requested that the State Board of Account's examine the 2014 financial records of the court and paid the Township's accounting firm to complete an audit and reconciliation of 2014. Both organizations found a number of discrepancies but were unable to specifically pinpoint where the discrepancies were without great expense (which was not financially feasible) or an extensive amount of time and resources from other supporting agencies. I was told the financial records that were turned over to my administration were not in order and in disarray. The situation was further complicated by four personnel changes in the court's financial clerk position during the years for which the audit covers.

SBOA identifies concerns that our court has been diligently and continuously working to address. We will continue with the reconciliation of both odyssey and bank records. The Court will continue to work with JTAC and SBOA to find identify and correct discrepancies that may

impact fund balances. I have been in communication with JTAC and have been advised that this can be resolved.

In an effort to make the financial clerk more efficient I have reevaluated the position and reassigned some of the duties to provide for a better balance of work. By reallocating the workload we will also create a check and balance system in an effort to catch any future potential errors that might occur. Hopefully, this will allow for immediate error correction without having to wait for it to appear in a monthly reconciliation report and act as a deterrent to any possibility of employee theft. Additionally, in dividing the duties it will provide a stabilization of the financial operations to prevent all systems and institutional knowledge being lost with the turnover of one employee.

To date ninety five percent (95%) of Court staff has received the training on money handling and the last employee will review the video upon her return from leave. The Court and Trustee will continue to work together in an effort to make sure figures in Gateway are consistent.

Moving forward it is my intention to meet with other Marion County Small Claims Judges and review their practices and procedures for handling financial recordkeeping. I will take the best practices and create a uniform financial recordkeeping (bank/odyssey) handbook for Marion County Small Claims Courts that will be available for the other courts to use. I will submit a draft to State Board of Accounts to ensure that I have resolved the concerns identified with internal controls over cash and reporting of financial activities.

In closing I want to once again express my appreciation for bringing these matters to my attention. I look forward to working with State Board of Accounts in resolving all outstanding concerns.

Sincerely,

A handwritten signature in blue ink, appearing to be 'KJ Bacon', with a long horizontal line extending to the right across the page.

Kimberly J. Bacon, Judge  
Lawrence Township

SMALL CLAIMS COURT  
LAWRENCE TOWNSHIP, MARION COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 13, 2017, with Hon. Kimberly Bacon, Judge, and Richard Hunter, Chief Operating Officer.