B49622

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF LEBANON

BOONE COUNTY, INDIANA

January 1, 2015 to December 31, 2015

FILED
03/06/2018

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SCHEDULE OF OFFICIALS

Office	Official	Term
Clerk-Treasurer	Tonya Thayer	01-01-15 to 12-31-19
Mayor	Harold "Huck" Lewis	01-01-15 to 12-31-15
	Matthew Gentry	01-01-16 to 12-31-18
President of the Board of Public Works and Safety	Harold "Huck" Lewis	01-01-15 to 12-31-15
	Matthew Gentry	01-01-16 to 12-31-18
President of the Common Council	Preston Myers	01-01-15 to 12-31-15
	Steve Large	01-01-16 to 12-31-16
	John Copeland	01-01-17 to 12-31-17
	Keith Campbell	01-01-18 to 12-31-18
Utility Office Manager	Sandra Morgan	01-01-15 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

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TO: THE OFFICIALS OF THE CITY OF LEBANON, BOONE COUNTY, INDIANA

This report is supplemental to our audit report of the City of Lebanon (City), for the period from January 1, 2015 to December 31, 2015. 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 our 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.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

March 5, 2018

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CLERK-TREASURER
CITY OF LEBANON

OVERDRAWN CASH BALANCES

This same comment also appeared in prior Report B45474.

The financial statement presented for audit included the following funds with overdrawn cash balances at December 31, 2015:

Fund	Amount Overdrawn
LFD Car Seat Program	$ 47
DOE Energy Efficiency Grant Reimb.	552
Employee Health Fund	23,755
Payroll-Fixed PERF	951
Payroll-Federal Taxes	3,902
Payroll-Optical W/H	1,443

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 Cities and Towns, Chapter 1)

SUPPLEMENTAL SCHEDULES

The City presented a Schedule of Capital Assets in their Annual Financial Report (AFR). However, the City did not maintain capital asset records; therefore, the capital asset schedule presented in the AFR could not be verified.

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."

CREDIT CARDS

The City had an approved credit card policy; however, the approved policy was not adhered to in the following ways:

1. After approved usage by the employee, the Department Head did not retain custody of the credit cards.

2. A log was not maintained.

3. Payments were made from the credit card statement without appropriate supporting documentation.

4. The credit card claims were not included on the claims docket each month; therefore, they were not approved by the Common Council.

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

1. The governing body must authorize credit card use through an ordinance /resolution, which has been approved in a meeting and documented in the minutes.

2. Issuance and use must be handled by an official or employee designated by the governing body.

3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.

4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.

5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.

6. Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.

7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of the responsible officer or employee.

8. If authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

ERRORS ON CLAIMS

The following deficiencies related to claims were identified:

1. Of the claims tested, 10 percent did not have adequate or had no supporting documentation.

2. Of the claims tested, 60 percent did not have Common Council approval.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

(1) there is a fully itemized invoice or bill for the claim;

(2) the invoice or bill is approved by the officer or person receiving the goods and services;

(3) the invoice or bill is filed with the governmental entity's fiscal officer;

(4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and

(5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

CLERK-TREASURER
CITY OF LEBANON
EXIT CONFERENCE

The contents of this report were discussed on March 5, 2018, with Matthew Gentry, Mayor; Tonya Thayer, Clerk-Treasurer; and Keith Campbell, President of Common Council.

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COMMON COUNCIL
CITY OF LEBANON

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