

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, 2017 to December 31, 2018



FILED
10/18/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Steve Talley	01-01-15 to 12-31-22
Judge	Hon. Kimberly Bacon	01-01-15 to 12-31-22
Chairman of the Township Board	Emmajean Hines Fred Freeman	01-01-17 to 12-31-17 01-01-18 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of Lawrence Township (Township), for the period from January 1, 2017 to December 31, 2018. 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 our Financial Statement Audit Report of the Township, which provides our opinion on the Township'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

September 24, 2019

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TOWNSHIP TRUSTEE
LAWRENCE TOWNSHIP, MARION COUNTY

TOWNSHIP TRUSTEE
LAWRENCE TOWNSHIP, MARION COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

The Township had not separated incompatible activities related to cash and investments and receipts. Monthly bank account reconciliations were performed by an employee whose duties also included collecting, depositing, and recording cash. The Township used an outside CPA firm to review financial reports and reperform the monthly reconciliations; however, these reviews were not sufficiently documented or performed timely during the audit period to determine if they were effective in mitigating the severity of the deficiency in internal control. A second employee reviewed the prepared bank deposit slips; however, this was not determined to be properly designed to mitigate risk.

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. . . ."



OFFICE OF THE LAWRENCE TOWNSHIP TRUSTEE

STEVE TALLEY, TRUSTEE

September 24, 2019

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

"OFFICIAL RESPONSE"

Re: Response to Audit Results and Commons

Dear State Board of Accounts:

This letter in reference to the recent audit of Lawrence Township for the period of January 1, 2017 to December 31, 2018. During the State Board of Accounts ("SBOA") audit, the SBOA noted that an employee whose duties including collecting, deposit, and recording cash was determined not properly designed to mitigate risk. The second SBOA note was that the Township used an outside agency CPA firm to review financial reports and reperform the monthly reconcilements; however these reviews were not sufficiently documented or performed timely during the audit period to determine if they were effective in mitigating the severity of the deficiency in internal controls.

Lawrence Township has put in place the following new internal controls to address the notes that were listed above. The new procedures for review of the monthly reconcilements are as follows. All reports pertaining to balancing of the bank statements will be forwarded to an outside financial consultant on a quarterly basis. Once reviewed by them a completed document will be sent stating if any irregularities were found. Then on semi-annual basis a review will be done by the outside CPA firm. Once the review is completed a document will be sent to state if any irregularities were found.

Lawrence Township has put in place the following new internal control to address the notes on reviewing checks to be deposited on monthly bases. Checks will be logged in on monthly bases by a person number one. Then person number two will verify the accuracy of the entry in the accounting system and deposit ticket by initialing both transactions.

I hope this address the concerns listed in the report.

Respectfully Submitted,

Steve Talley, Trustee
Lawrence Township, Marion County

TRUSTEE
LAWRENCE TOWNSHIP, MARION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 24, 2019, with Steve Talley, Township Trustee; Rebecca Lightle, Chief Financial Officer; Fred Freeman, Chairman of the Township Board; and Sharon Anderson, Township Board member.

SMALL CLAIMS COURT
LAWRENCE TOWNSHIP, MARION COUNTY

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

BANK ACCOUNT RECONCILIATIONS

A similar comment also appeared in prior Report B49304, entitled *DEPOSITORY RECONCILIATIONS*.

Depository reconciliations of the fund balances to the bank account balances of the Small Claims Court were conducted; however, the reconciliations did not balance and were not being performed timely after month-end. At December 31, 2017 and 2018, the bank account reconciliations were short in the amounts of \$4,328 and \$20,410, respectively. In addition, the reconciliations were performed more than one month after the month-end for all 24 months of the audit period, including one reconciliation that was not completed.

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."

TRUST ITEMS OVER FIVE YEARS OLD

Depository reconciliations performed by the Small Claims Court as of December 31, 2017 and 2018, included 125 and 527 checks, respectively, which were outstanding in excess of five years. The old outstanding checks totaled \$11,363 in 2017 and \$61,550 in 2018.

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."

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

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

This same comment also appeared in prior Report B49304.

The Small Claims Court had not properly implemented a system of internal controls related to cash and investments. Monthly bank account reconciliations were performed by the Financial Operations Manager and were to be reviewed and approved by the Judge; however, no documentation to support the review and approval of the reconcilements was presented for audit.

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

October 4, 2019

State Examiner
Indiana State Board of Accounts
302 W. Washington St
Room E 418
Indianapolis, IN 46204

Re: **Lawrence Township Small Claims Court**

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

The Court is committed to keeping itself in complete compliance with the accounting practices required by the State Board of Accounts. When I initially came into office it was brought to my attention that there were various discrepancies and the financial records that were turned over to my administration were in disarray and not in order.

Since SBOA's last examination in 2017 for the years of 2014 – 2016, the Court has worked diligently to address and correct the issues found during that examination. I am pleased to say that with staff changes and detailed training, during the most recent audit performed for the years of January 1, 2017 thru December 31, 2018, SBOA found that the Lawrence Township Small Claims Court financial statement presented fairly.

I do acknowledge that there are concerns which were raised in the previous examination and during this most recent audit such as: bank account reconciliations not being performed timely and internal controls not implemented to show that said reconciliations were reviewed and approved. The Court has worked tirelessly to complete all past reconciliations from 2017 that were not completed by previous staff and we are now current with all 2018 reconciliations. We anticipate that since we are current, we will be able to maintain this standard for all future reconciliation requirements. We have also addressed the concerns with our internal controls by implementing a 3-step process in which the reconciliations will be completed by the Financial Operations Manager, reviewed by the Supervising Clerk and approved by the sitting Judge. We

will continue to reconcile both Odyssey and the bank statement in a timely manner and work with JTAC/TCT to identify and correct any clerical mistakes made by previous personnel.

In closing, I want to once again thank you for conducting this audit and informing us of these issues while acknowledging our efforts to stay in compliance.

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 September 24, 2019, with Hon. Kimberly Bacon, Judge; Shauna Combs, Financial Operations Manager; Fred Freeman, Chairman of the Township Board; and Sharon Anderson, Township Board member.