

**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, 2018 to December 31, 2019



**FILED**  
02/02/2021



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tonya Thayer	01-01-18 to 12-31-21
Mayor	Matthew Gentry	01-01-18 to 12-31-21
President of the Board of Public Works and Safety	Matthew Gentry	01-01-18 to 12-31-21
President Pro Tempore of the Common Council	Keith Campbell Dick Robertson Brent Wheat	01-01-18 to 12-31-18 01-01-19 to 12-31-20 01-01-21 to 12-31-21
Utility Chief Financial Officer	Sandra Morgan	01-01-18 to 12-31-21
President of the Utilities Service Board	Gary Ladd Neil Taylor	01-01-18 to 12-31-18 01-01-19 to 12-31-21



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2018 to December 31, 2019. 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/](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 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

January 27, 2021

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CLERK-TREASURER  
CITY OF LEBANON

CLERK-TREASURER  
CITY OF LEBANON  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER CITY RECEIPTS**

*Condition and Context*

For the City's collections, only one individual received all collections, issued receipts, posted receipts, prepared the deposit slip, and remitted the collections to the bank. Therefore, the City did not implement a segregation of duties over the financial statement receipts, and there were no internal controls designed and implemented by the City for processing, recording, and reporting receipts. Additionally, the City did not provide evidence of review or approval process to ensure that material misstatements would be prevented, or detected and corrected, in a timely manner.

*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. . . ."

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The City's certification on internal control standards made on the Indiana Gateway for Government Units financial reporting system was not made correctly for 2018 and 2019. The certification asserts that training on internal control standards was received by all applicable personnel; however, it was determined that applicable utility personnel had not received this training. All applicable utility personnel completed the required internal control training by January 6, 2021.

*Criteria*

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](#)."



**City of Lebanon**  
**Tonya Thayer, Clerk-Treasurer**  
401 S. Meridian Street  
Lebanon, IN 46052  
765-482-1218

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February 1, 2021

State Board of Accounts  
302 W. Washington Street  
Room E 418  
Indianapolis, IN 46204-2765

OFFICIAL RESPONSE

To: State Board of Accounts

This letter is in regard to the Audit Results and Comments for the Clerk-Treasurer from the Exit Conference held on January 27, 2021.

The first item "Internal Controls Over City Receipts" my staff and I met and will be changing the process for collections on February 1, 2021 by having Bethany Chapman, Administrative Assistant receive the Collection Report, Issue the Receipt, Post the Receipts – followed by Mia Riley, First Deputy approving the receipts were entered to the correct Revenue line(s), Bethany will prepare the deposit slip – followed by 1 of the 3 of us who work in the Clerk-Treasurer's office count and verify cash, checks and credit cards total the amount listed on the deposit slip and initial the deposit slip, then 1 of the 3 of us, but not Bethany, will remit the deposit to the bank.

The second item "Certification on Internal Control Standards" I have all City Employees watch the Internal Control video upon hire, sign a form verifying they have watched the video and we keep them on file. It came to my attention during the Exit Conference that I am to have the employees at the Lebanon Utilities watch this video. This is the first time I have heard this and since my office is not involved with the hiring process at the Lebanon Utilities, nor did I know that they were supposed to view the video, I received an Audit Comment. Now that the Lebanon Utilities know that their employees are to watch the video this issue has been corrected and all employees at the current time have watched the video.

Sincerely,

Tonya Thayer  
Clerk-Treasurer  
City of Lebanon

CLERK-TREASURER  
CITY OF LEBANON  
EXIT CONFERENCE

The contents of this report were discussed on January 27, 2021, with Tonya Thayer, Clerk-Treasurer; Matthew Gentry, Mayor; Brent Wheat, President Pro Tempore of the Common Council; Dick Robertson, Common Council member; and Mia Riley, Deputy Clerk-Treasurer.

COMMON COUNCIL  
CITY OF LEBANON

COMMON COUNCIL  
CITY OF LEBANON  
AUDIT RESULT AND COMMENT

**TRAINING ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

All applicable personnel had not received training over internal control standards during the audit period. It was determined that applicable utility personnel had not received this training. However, all applicable utility personnel completed the required internal control training by January 6, 2021.

*Criteria*

Indiana Code 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."

COMMON COUNCIL  
CITY OF LEBANON  
EXIT CONFERENCE

The contents of this report were discussed on January 27, 2021, with Tonya Thayer, Clerk-Treasurer; Matthew Gentry, Mayor; Brent Wheat, President Pro Tempore of the Common Council; Dick Robertson, Common Council member; and Mia Riley, Deputy Clerk-Treasurer.