

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF WEST LAFAYETTE

TIPPECANOE COUNTY, INDIANA

January 1, 2021 to December 31, 2021



FILED
06/21/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Peter L. Gray	01-01-21 to 12-31-23
City Clerk	Sana G. Booker	01-01-21 to 12-31-23
Mayor	John R. Dennis	01-01-21 to 12-31-23
President of the Board of Public Works and Safety	Sana G. Booker	01-01-21 to 12-31-23
President of the Common Council	Peter Bunder	01-01-21 to 12-31-23
Utility Office Manager	David Henderson	01-01-21 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF WEST LAFAYETTE, TIPPECANOE COUNTY, INDIANA

This report is supplemental to our audit report of the City of West Lafayette (City), for the period from January 1, 2021 to December 31, 2021. 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

May 31, 2023

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CITY CONTROLLER
CITY OF WEST LAFAYETTE

CITY CONTROLLER
CITY OF WEST LAFAYETTE
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the City related to financial transactions. The City had not designed or implemented a system of effective internal controls over receipts and financial close and reporting.

Receipts

The City had established a system of internal controls over receipts, but it was not properly implemented. One person prepared a daily reconciliation of receipts for review after recording receipts to the financial system, but a review or approval process was not performed.

Financial Close and Reporting

The City had not established effective internal controls over the financial information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report (AFR) and the financial statement. A third-party prepared the AFR, and the City Controller uploaded the AFR into Gateway without a review or approval process.

Due to the lack of effective internal controls, the AFR presented for audit included the following errors:

1. The WL Building Corp 2011 Bonds Fund was incorrectly reported, which overstated receipts and disbursements by \$447,005 and \$444,438, respectively.
2. The Payroll Fund receipts and disbursements were understated by \$7,061,984 and \$7,062,740, respectively.
3. The INPRS fund was omitted, which understated receipts and disbursements by \$2,217,540 each.

Audit adjustments were proposed, accepted by the City, and made to the financial statement presented in the Financial Statement Audit Report.

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.

CITY CONTROLLER
CITY OF WEST LAFAYETTE
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

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 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](#)."

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

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 required supplementary information and other information entered by the City contained numerous errors.

The receipts, disbursements, and cash and investment balances entered into Gateway contained the following errors:

1. The WL Building Corp 2011 Bonds Fund was incorrectly reported, which overstated receipts and disbursements by \$447,005 and \$444,438, respectively.
2. The Payroll Fund receipts and disbursements were understated by \$7,061,984 and \$7,062,740, respectively.
3. The INPRS fund was omitted, which understated receipts and disbursements by \$2,217,540 each.

Adjustments were proposed, accepted by the City, and made to the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented in the Financial Statement Audit Report.

The capital asset information entered into Gateway contained the following errors:

1. The ending balance for the Infrastructure was understated by \$606,844.
2. The ending balance for the Buildings was understated by \$502,467.
3. The ending balance for the Machinery, equipment, and vehicles was overstated by \$2,510,204.
4. The ending balance for the Construction in progress was understated by \$4,090,190.

The City has elected not to include the Schedule of Capital Assets presented as Other Information in the Financial Statement Audit Report.

CITY CONTROLLER
CITY OF WEST LAFAYETTE
AUDIT RESULTS AND COMMENTS
(Continued)

The leases and debt information entered into Gateway contained the following errors:

1. Two leases were not properly classified as leases. This resulted in the overstatement of the debt information and an understatement of the lease information by \$4,796,680.
2. Multiple adjustments that were less than material were made to the schedule.

Adjustments were proposed, accepted by the City, and made to the Schedule of Leases and Debt presented as Other Information.

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 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 CONTROLLER
CITY OF WEST LAFAYETTE
EXIT CONFERENCE

The contents of this report were discussed on May 31, 2023, with John R. Dennis, Mayor; Peter L. Gray, City Controller; Peter Bunder, President of the Common Council; Larry Leverenz, Common Council member; Nicole Stocks, Deputy City Controller; and Sana G. Booker, City Clerk and President of the Board of Public Works and Safety.