

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF LAWRENCE

MARION COUNTY, INDIANA

January 1, 2015 to December 31, 2016



**FILED**  
10/16/2017



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## SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Ronald Hungerford Jason Fenwick	01-01-15 to 12-31-15 01-01-16 to 12-31-17
Mayor	Dean Jessup Steven Collier	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Karen Horth Powers Dave Freeman	01-01-15 to 12-31-15 01-01-16 to 12-31-17
President of the Common Council	Tom Shevlot Joe Williams	01-01-15 to 12-31-15 01-01-16 to 12-31-17
President of the Utility Service Board	Marcia Walton Steve Hall	01-01-15 to 12-31-15 01-01-16 to 12-31-17
Superintendent of Utilities	John Solenberg Scott Salsbery	01-01-15 to 02-09-16 02-10-16 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF THE CITY OF LAWRENCE, MARION COUNTY, INDIANA

This report is supplemental to our examination report of the City of Lawrence (City), for the period from January 1, 2015 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 City. It should be read in conjunction with our Financial Statement Examination Report of the City, which provides our opinion 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 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

August 31, 2017

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CONTROLLER  
CITY OF LAWRENCE

CONTROLLER  
CITY OF LAWRENCE  
EXAMINATION RESULTS AND COMMENTS

***BANK ACCOUNT RECONCILIATIONS***

Depository reconciliations of total fund balances to the bank account balances were not performed for all 24 months during the examination. Based upon an analysis of bank account balances and reconciling items presented, the net bank balances exceeded fund balances by \$138,987 at December 31, 2016.

A similar comment also appeared in several prior reports, most recently Report B46301, entitled *BANK ACCOUNT RECONCILIATIONS*.

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."

***PENALTIES, INTEREST, AND OTHER CHARGES***

In August 2016, the Water Utility paid \$1,908 in penalties, interest, and other charges to the Indiana Department of Revenue. This was due to the Water Utility not remitting a payment for Utility Receipts Tax on a timely basis.

A similar comment also appeared in prior Report B46301, entitled *PENALTIES, INTEREST, AND OTHER CHARGES*.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

***RECORD OF HOURS WORKED***

Several officials and employees were paid salaries from more than one fund of the City and/or Utilities. There was no formal process identified to determine what amount was to be paid from the different funds. Separate records showing which hours were worked for each position were not maintained.

A similar comment also appeared in prior Report B46301, entitled *RECORD OF HOURS WORKED*.

Indiana Code 5-11-9-4(b) states in part:

"The state board of accounts shall require that records be maintained showing which hours are worked each day by officers and employees: . . .

- (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency . . ."



CONTROLLER  
CITY OF LAWRENCE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employees' Service Record

General Form 99B, Employee's Earnings Record

General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor.

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

**OVERDRAWN CASH BALANCES**

The financial statement presented for examination included the following funds with overdrawn cash balances as follows:

Fund	Amount Overdrawn	
	12-31-15	12-31-16
Emergency Medical Services/ Ambulance	\$ 153,507	\$ -
Police Pension	115,309	-
Payroll	-	20,640
Wastewater Utility- Bond And Interest	47,802	-
Sewer Capital Improvement Fund	343,230	-
Sewer SRF Loan Fund	95,604	-
Sewer '09 Bond Proceeds	97,632	-
Water Utility- Operating	1,095,397	-
Water Capital Improvement Fund	377,734	-

A similar comment also appeared in several prior reports, most recently Report B46301, entitled *OVERDRAWN FUND BALANCES*.

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)

CONTROLLER  
CITY OF LAWRENCE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

***INTERNAL CONTROLS***

Internal controls over the receipting, recording, and accounting for the financial activities were insufficient. The City had not established controls to ensure that reconcilements of the bank balances to the ledger balances were performed, or that the reconcilements were reviewed for accuracy when performed. For departmental receipts, there was no segregation of duties. The receipt process usually involved one or two people at each department, where one employee had full control over the receipt process at any one time.

A similar comment also appeared in prior Report B46301, entitled *INTERNAL CONTROLS*.

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. . . ."



*City of*  
**LAWRENCE**  
*Indiana*

Jason C. Fenwick, City Controller/Deputy Mayor

**September 8, 2017**

State Board of Accounts  
302 West Washington Street, Room E 418  
Indianapolis, IN 46204-2765  
Attention: Lisa David ([ldavid@sboa.in.gov](mailto:ldavid@sboa.in.gov))

Re: City of Lawrence Supplemental Compliance Report for FY 2015 & FY 2016

**OFFICIAL RESPONSE**

The City of Lawrence is filing this official response to the Examination Results and Comments for fiscal years 2015 and 2016, as provided to the City Administration and Common Council on Thursday, August 31, 2016.

***SUMMARY***

This examination covers two administrations: Mayor Dean Jessup's administration through December 31, 2015 and the administration of Mayor Steve Collier from January 1, 2016 through December 31, 2016. Most of the examination results reflect findings that occurred in 2015. A summary of the findings and estimated correction timeline are as follows:

<u>Examination Comment</u>	<u>City Correction</u>
Bank Account Reconciliations	12/31/2017
Penalties, Interest, and Other Charges	Completed
Record of Hours Worked	10/1/2017
City Bad Debt and Uncollectible Accounts	10/1/2017
Overdrawn Cash Balances	Completed
Internal Controls	12/31/2017

Detailed responses to the examination results are provided below.

***BANK ACCOUNT RECONCILIATIONS***

Examination Comment: Depository reconciliations of total fund balances to the bank account balances were not performed for all 24 months during the examination. Based upon an

9001 East 59<sup>th</sup> Street, Suite 300  
Lawrence, Indiana 46216  
317.542.4441  
[jfenwick@cityoflawrence.org](mailto:jfenwick@cityoflawrence.org)

analysis of bank account balances and reconciling items presented for examination by the City as of December 31, 2016, net bank balances exceeded fund balances by \$138,987.

A similar comment appeared in several prior reports, most recently Report B46301.

Response: Bank account reconciliations have been ongoing since January 2016. Given the bank accounts had not been reconciled for many years prior to 2016, this process has taken a considerable amount of time to complete. A month end closing policy and procedure has been implemented, including a final review of each month's reconciliations by the Controller. We expect full reconciliations to be completed by year-end 2017.

### ***PENALTIES, INTEREST, AND OTHER CHARGES***

Examination Comment: In August, 2016, the Water Utility paid \$1,908 in penalties, interest, and other charges to the Department of Revenue. This was due to the Water Utility not remitting a payment for Utility Receipts Tax on a timely basis.

A similar comment appeared in prior report B46301.

Response: The penalty paid in 2016 was the result of an incorrect filing for December of 2015. The Controller's Office has implemented additional controls for reviewing quarterly tax filings and payments.

### ***RECORD OF HOURS WORKED***

Examination Comment: Several officials and employees were paid salaries from more than one fund of the City and/or Utilities. There appeared to be no formal process to determine what amount was to be paid from the different funds. Separate records showing which hours were worked for each position were not maintained.

A similar comment appeared in prior report B46301.

Response: Several positions within the City perform duties for both the Civil City and utilities. A portion of the salary for these positions is paid by the utilities. Documentation has been drafted detailing the work and percentage of time estimated to be spent on utility work. In addition, up until 12/31/2015, nearly 100% of IT salaries were funded by utilities. This was corrected in 2016.

### ***CITY BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS***

Examination Comment: The City has not established a formal written policy for writing off bad debts, uncollectible accounts receivable (emergency medical and trash accounts), or any other adjustments to their record balance.

A similar comment appeared in several prior reports, most recently Report B46301.

Response: A policy has been drafted and will be implemented in 2017.

***OVERDRAWN CASH BALANCES***

Examination Comment: The financial statement included the following funds with overdrawn cash balances at December 31, 2015.

A similar comment appeared in several prior reports, most recently Report B46301.

Response: Overdrawn balances occurred at the end of the fiscal year 2015, prior to this Administration taking office. This finding has been corrected.

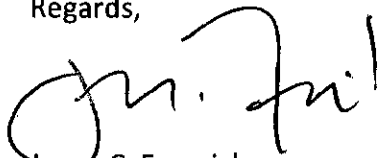
***INTERNAL CONTROLS***

Examination Comment: Internal controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. Bank reconciliations were not performed for all months of the examination period reconciling total fund balances to reconciled bank balances. There was no review done of the December 31, 2016 bank reconciliation performed by the Deputy Controller for the main checking account and the Utilities account. For departmental receipts, the process usually involved one or two people at the department, where one employee may have full control over the receipting process at one time.

A similar comment appeared in prior report. B46301.

Response: Bank account reconciliations have been ongoing since January 2016. Given the bank accounts had not been reconciled for many years prior to 2016, this process has taken a considerable amount of time to complete. A month end closing policy and procedure has been implemented, including a final review of each month's reconciliations by the Controller. We expect full reconciliations to be completed by year-end 2017.

Regards,



Jason C. Fenwick  
City Controller

CONTROLLER  
CITY OF LAWRENCE  
EXIT CONFERENCE

The contents of this report were discussed on August 31, 2017, with Steven Collier, Mayor; Jason Fenwick, Controller; Joe Williams, President of the Common Council; Sherron Freeman, Common Council member; Rick Wells, Common Council member; Tom Shevlot, Common Council member; Bob Jones, Common Council member; and Kathy Walton, City Clerk.

The contents of this report were discussed on September 14, 2017, with Ron Hungerford, former Controller.

COMMON COUNCIL  
CITY OF LAWRENCE

COMMON COUNCIL  
CITY OF LAWRENCE  
EXAMINATION RESULT AND COMMENT

***CITY BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS***

The City had not established a formal written policy for writing off bad debts, uncollectible accounts receivable (emergency medical and trash accounts), or any other adjustments to their record balance.

A similar comment appeared in several prior reports, most recently Report B46301, entitled *CITY BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS*.

The governing body of a unit must have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balance. Documentation must exist for all efforts made by the unit to collect amounts owed prior to any write-offs. Write-offs or adjustments to records which are not documented or warranted may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)





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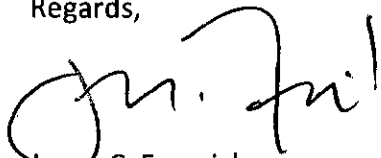
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Jason C. Fenwick  
City Controller

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