

**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, 2018 to December 31, 2018



**FILED**  
07/09/2019



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
City Controller:	
Federal Finding:	
Finding 2018-001	
Preparation of the Schedule of Expenditures of Federal Awards .....	6-8
Corrective Action Plan .....	9
Audit Result and Comment:	
Bank Account Reconciliations.....	10
Official Response.....	11
Exit Conference .....	12

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Jason Fenwick	01-01-18 to 12-31-19
Mayor	Steve Collier	01-01-16 to 12-31-19
President of the Board of Public Works	Dave Freeman Doug Reeser	01-01-18 to 03-31-19 04-01-19 to 12-31-19
President of the Common Council	Lisa Chavis	01-01-18 to 12-31-19
President of the Utility Service Board	Steve Hall	01-01-18 to 12-31-19
Superintendent of Utilities	Scott Salsbery	01-01-18 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the City of Lawrence (City), for the period from January 1, 2018 to December 31, 2018. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the City, which provides our opinions on the City's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Finding, identified in the above referenced audit report, is included in this report and should be viewed in conjunction with the Audit Result and Comment as described below.

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 Result and Comment contained herein describes the identified reportable instance 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 Corrective Action Plan for the Federal Finding or Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

June 12, 2019

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CITY CONTROLLER  
CITY OF LAWRENCE

CITY CONTROLLER  
CITY OF LAWRENCE  
FEDERAL FINDING

***FINDING 2018-001***

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-001.

*Condition*

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The City had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the City's SEFA. The federal award information entered into Gateway without a control in place to prevent, or detect and correct errors prior to submission.

*Context*

The SEFA presented for audit contained the following errors:

1. State grant funds in the amount of \$264,245 were improperly included.
2. The Federal Grantor Agency and CFDA number were misreported for one grant.

Audit adjustments were proposed, accepted by the City, and made to the SEFA.

*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. . . ."



CITY CONTROLLER  
CITY OF LAWRENCE  
FEDERAL FINDING  
(Continued)

2 CFR 200.508 states in part:

"The auditee must: . . .

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

*"Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within a cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*Cause*

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

CITY CONTROLLER  
CITY OF LAWRENCE  
FEDERAL FINDING  
(Continued)

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

*Recommendation*

We recommended that the City's management establish controls related to the preparation of the SEFA.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



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

Jason C. Fenwick, City Controller/Deputy Mayor

CORRECTIVE ACTION PLAN

**FINDING 2018-001**

Contact Person Responsible for Corrective Action: Jason Fenwick  
Contact Phone Number: 317-542-4441

Views of Responsible Official: We agree with this finding

Description of Corrective Action Plan: The City has created a grant database which is accessible through the City of Lawrence employee portal. Existing and new grants must be entered into the grant database and will be approved by the Controller's office prior to acceptance. An updated grant policy has been implemented.

Anticipated Completion Date: Corrected June 11, 2019

  
\_\_\_\_\_  
(Signature)

Controller / Deputy Mayor  
\_\_\_\_\_  
(Title)

6.11.2019  
\_\_\_\_\_  
(Date)

CITY CONTROLLER  
CITY OF LAWRENCE  
AUDIT RESULT AND COMMENT

***BANK ACCOUNT RECONCILIATIONS***

Depository reconciliations of the fund balance to the bank account balances were conducted; however, the reconciliations did not balance. A review of the combined bank reconciliation for all City accounts indicated a cash long in the amount of \$19,163 at December 31, 2018.

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."



*City of*  
**LAWRENCE**  

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*Indiana*

Jason C. Fenwick, City Controller/Deputy Mayor

**June 12, 2019**

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 Audit Result and Comment for FY 2018

**OFFICIAL RESPONSE**

The City of Lawrence is filing this official response to the Examination Results and Comments for fiscal year 2018.

***BANK ACCOUNT RECONCILIATIONS***

Examination Comment: Depository reconciliations of the fund balance to the bank account balances were conducted; however, the reconciliations did not balance. A review of the combined bank reconciliation for all city accounts indicated a cash long in the amount of \$19,163.60 at December 31, 2018.

Response: City bank accounts had not been reconciled for many years prior to 2016; the process to reconcile and eliminate historical variances has taken a considerable amount of time to complete. The current cash long variance of \$19,163.60 has remained the same for at least the past 6 months. We are confident that current month reconciliations produce no variance and this current cash long amount will be eliminated by year-end 2019.

Regards,

A handwritten signature in black ink, appearing to read "J. Fenwick", is written over a faint, larger version of the same signature.

Jason C. Fenwick  
City Controller

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

CITY CONTROLLER  
CITY OF LAWRENCE  
EXIT CONFERENCE

The contents of this report were discussed on June 12, 2019, with Steve Collier, Mayor; Jason Fenwick, City Controller; Tom Shevlot, Common Council member; Tyler Douthit, Financial Analyst; and Ashley Hopper, interim Corporation Counsel.