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Memo

To: Ms. Deborah Whitfield
Mayor
City of Lawrence, IN

Date: December 17, 2024

Re: Bank Reconciliations

Dear Mayor Whitfield,

Baker Tilly is providing a summary of the work completed to date on the bank reconciliation process. Below are the key actions undertaken:

1. **Initial Walkthrough:** We began by walking through the entire bank reconciliation process with the City Controller to understand the current procedures and identify areas for improvement. Per direction from the Controller, October's reconciliation was the priority. We planned to concentrate on October, but to be reconciled through October required analysis of all months prior.
2. **Identification of Bank Accounts:** Each bank account was identified to ensure all accounts are included in the reconciliation process. The City uses a total of 14 bank accounts. Several accounts have minimal activity each month, while 5 main accounts have the bulk of the City's financial activity – 2 City Operating accounts, 2 Utility Operating accounts, and the EMS account.
3. **Access to New World System:** We obtained access to the New World System (NWS), which is essential for generating necessary reports and confirming transactions.
4. **Obtaining Bank Statements:** Bank statements for October were first obtained for analysis and use in the October reconciliation. We also received access to the other months after our work on October.
5. **Generating Reports in New World:** Reports, such as Cross Fund Reports and Oper Reports, were generated in the New World System to facilitate the reconciliation process. In addition to New World System reports, we also obtained Bank Reconciliation spreadsheets used by the Controller's office to document reconciliations, compare calculated balances to NWS balances, and identify any necessary adjustments.
6. **Confirmation of Deposits in Transit/Outstanding Deposits:**
 - Confirmed deposits in transit as of September 30 and October 31 for the Utility Operating Old National account.
 - We have not yet confirmed outstanding deposits for months prior to September. Detailed deposit information is contained in NWS and amounts are used in each month's reconciliation; however, the outstanding deposits were not listed individually and confirming would have taken additional time. We plan to confirm these during our work on the November reconciliation.
7. **Confirmation of Outstanding Checks:** Outstanding checks for all months were compared to the Open Reports from NWS and confirmed to ensure they are accurately reflected in the reconciliations

8. **Adjustments** – Any adjustments noted were analyzed. As of the time of our work, some adjustments had already been posted by the Controller’s office to the NWS, while some others still needed posted. We analyzed unposted adjustments with the Controller and those will be posted prior to the year-end closing of the general ledger in NWS.
9. **Analysis and Confirmation of Reconciliations:** Reconciliations from February to September were analyzed and confirmed for accuracy, with the exception of outstanding deposits as described above.

Observations and Results –

While we did not conduct an audit or review of the bank reconciliations, we did confirm the fund balances in NWS reconcile to the bank accounts as of October 31, with some adjustments needing to be posted. In summary, City of Lawrence bank accounts total \$64.9 million on October 31, 2024. Two bank accounts have immaterial variances that are still being investigated as noted below:

	<u>City Operating - Chase</u>	<u>Utility Operating - Old Natl</u>
10/31/24 Bank Balance \$	12,007,198.11	\$ 5,888,648.48
Variance to NWS	17,127.83	(4,818.69)
Percentage	0.14%	-0.08%

The reconciliation process for the Utility Operating Accounts at Old National Bank can be complicated due to the receiving of credit card payments and when they are credited to the bank account. Credit card payments are processed by Tyler Payments (a new system starting in February of this year) and those can post to the City’s bank account anywhere from a day to several days after the customer makes the payment. The timing of payments being credited to the bank account is especially important at month-end in determining the deposits in transit for reconciling. For example, around the last day of the month, credit card payments on one day might get deposited before the end of the month, the first day of the next month, or a couple days into the next month. Knowing when payments are credited to the bank account is necessary for accurate bank reconciliations.

Because deposits in transit, or outstanding deposits, are an important part of any bank reconciliation, the documentation of what items are considered “deposits in transit” at any month end are important. A listing of individual transactions that total the outstanding deposits used in monthly reconciliations was not available. We believe the amounts can be re-created and we will work to confirm during our work on the November reconciliation. We discussed with the Controller and Director of Administration/USB Recording Secretary (DA) the importance of documenting individual amounts making up deposits in transit in case questions arise in the future, for State auditors, etc.

Staffing – it should be noted that the Deputy Controller has been on leave since we started this project. This has left the reconciliation process to the Controller and DA. With the other duties of the Controller and DA, this appears to have impacted the timely reconciling and reporting of the bank reconciliations.

Sincerely,



Andre Riley, Principal

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