

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF MUNCIE

DELAWARE COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
10/30/2014

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Controller:	
Federal Finding:	
Finding 2013-001 - Internal Controls Over Financial Transactions and Reporting - Schedule of Expenditures of Federal Award (SEFA)	6-7
Corrective Action Plan	8
Audit Result and Comment:	
Overdrawn Cash Balances	9
Official Response.....	10
Exit Conference	11

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Audrey Jones	01-01-13 to 12-31-14
Mayor	Dennis Tyler	01-01-13 to 12-31-16
President of the Board of Public Works and Safety	John Quirk	01-01-13 to 12-31-14
President of the Common Council	Jerry Dishman Julius Anderson	01-01-13 to 12-31-13 01-01-14 to 12-31-14
President of the Board of Sanitary Commissioners	Tom Bennington Bill Smith	01-01-13 to 12-31-13 01-01-14 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE CITY OF MUNCIE, DELAWARE COUNTY, INDIANA

This report is supplemental to our audit report of the City of Muncie (City), for the period from January 1, 2013 to December 31, 2013. 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/.

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 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 Corrective Action Plan for the Federal Finding and 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

August 28, 2014

(This page intentionally left blank.)

CONTROLLER
CITY OF MUNCIE

CONTROLLER
CITY OF MUNCIE
FEDERAL FINDING

FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING - SCHEDULE OF EXPENDITURES OF FEDERAL AWARD (SEFA)

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 should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the omission of a major program (the Economic Development Cluster). The reported SEFA ending December 31, 2013, did not properly reflect federal expenditures of the City. Federal expenditures in the form of one grant totaling \$2,830,033 were left off the schedule in error. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

CONTROLLER
CITY OF MUNCIE
FEDERAL FINDING
(Continued)

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. 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 award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual 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 shall 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.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."



August 28, 2014

SEFA

Finding 2013-001

Corrective Action

- In Regards to finding 2013-001 Internal Controls over Financial Transactions and Reporting the Controller was unaware that the revolving loan fund was considered a Federal Grant. It was unintentionally left off the grant schedule and will be added in future years.

CONTROLLER
CITY OF MUNCIE
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The financial statements presented for audit included the following funds with overdrawn cash balances at December 13, 2013: Bond Revenue/ Tuhey Pool overdrawn \$100,904 and City Bond Gen Sinking overdrawn \$24,253.

There were several other funds with negative cash balances at the end of the audit period that were due to grant reimbursements not yet received for grant disbursements.

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 governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)



City of MUNCIE
MUNCIE, INDIANA

August 28, 2014

Response to Audit Results and Comments

Overdrawn Cash Balances

As a result from the improper budgeting for tax levies in 2011 for budget year 2012 these funds have not received proper tax funding. The City Controller has been in contact with the DLGF to go over options on how to get these funds out of the negative. At this point we are trying to figure out the best fit for the City on how to rectify the negative balances.

Yours Truly,



Audrey Jones

CONTROLLER
CITY OF MUNCIE
EXIT CONFERENCE

The contents of this report were discussed on August 28, 2014, with Audrey Jones, Controller; Dennis Tyler, Mayor; and Julius Anderson, President of the Common Council.