

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

SPECIAL INVESTIGATION REPORT

OF

MUNCIE SANITARY DISTRICT

CITY OF MUNCIE, INDIANA

October 23, 2012 to August 28, 2014



FILED
01/29/2015

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Mayor	Dennis Tyler	01-01-12 to 12-31-15
City Controller	Audrey Jones	01-01-12 to 12-31-14
District Administrator	Barb Smith	01-01-12 to 01-06-12
	Bill Smith	01-07-12 to 12-31-13
	Nikki Grigsby	01-01-14 to 12-31-14
President of the Board of Sanitary Commissioners	Tom Bennington	01-01-12 to 12-31-12
	Bill Smith	01-01-13 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

We have reviewed the records of the Muncie Sanitary District for the period from October 23, 2012 to August 28, 2014, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Special Investigation Results and Comments. The financial transactions of this office are reflected in the Annual Report of the City of Muncie, Delaware County for the years 2012 and 2013.

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

December 8, 2014

MUNCIE SANITARY DISTRICT
CITY OF MUNCIE
SPECIAL INVESTIGATION RESULTS AND COMMENTS

TRUCKING CHARGE

The Muncie Sanitary District (District) hired RCM Construction, Inc., to haul salt during the winter of 2013. The fee for this service was \$55 per ton. A review of weight tickets from the salt supplier indicated that RCM Construction, Inc., overbilled the District by 145.81 tons. This overbilling resulted in the District overpaying RCM Construction, Inc., \$8,019.55.

On November 14, 2014, RCM Construction, Inc., reimbursed the District \$8,019.55 for these overcharges. (See Summary of Charges, page 8)

Governmental units have a responsibility to collect amounts owed to the government unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

DELINQUENCY COLLECTIONS NOT REMITTED

Peter Drumm, former Attorney for the District, handled the collection of delinquencies for the period May 2009 to December 2012. These services were considered outside the scope of his duties as the District's attorney. No contract was entered into for these services.

In 2014, the District reconciled their records to payments and accompanying documentation previously remitted by Peter Drumm, former Attorney for the District, and determined that \$7,292.76 had not yet been remitted to the District.

On November 20, 2014, Peter Drumm, former Attorney for the District, paid the District \$7,292.76 for unremitted delinquency collections. (See Summary of Charges, page 8)

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 17)

MUNCIE SANITARY DISTRICT
CITY OF MUNCIE
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

CHANGE ORDERS

Our review of construction projects contracted out by the District revealed eight projects on which change orders exceeded the 20 percent limit established by Indiana Code 36-1-12-18. The schedule below details information related to these eight projects.

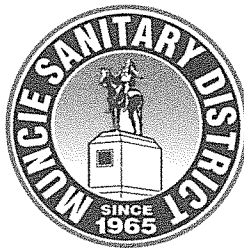
<u>Project</u>	<u>Quote Amount</u>	<u>Amount Paid</u>	<u>Difference</u>	<u>Percentage Change</u>
Brookfield Ditch	\$ 24,900	\$ 48,750	\$ 23,850	96%
Riverside and Briar	18,000	22,000	4,000	22%
Liberty 5 th and 6 th Streets	24,500	37,000	12,500	51%
16 th and Grant	24,750	46,750	22,000	89%
2207 S. Walnut Street	12,500	24,000	11,500	92%
Carnegie Library Lateral	23,000	38,000	15,000	65%
High Street Sanitary Sewer	122,987	212,422	89,435	73%
16 th and Macedonia	14,900	137,378	122,478	822%

Indiana Code 36-1-12-18(a) states:

"If, in the course of the construction, reconstruction, or repair of a public work project, it becomes necessary to change or alter the original specifications, a change order may be issued to add, delete, or change an item or items in the original contract. The change order becomes an addendum to the contract and must be approved and signed by the board and the contractor . . . (d) The total of all change orders issued that increase the scope of the project may not exceed twenty percent (20%) of the amount of the original contract. A change order issued as a result of circumstances that could not have been reasonably foreseen does not increase the scope of the project."

MUNCIE SANITARY DISTRICT
CITY OF MUNCIE
EXIT CONFERENCE

The contents of this report were discussed on December 8, 2014, with Dennis Tyler, Mayor; Audrey Jones, City Controller; Bill Smith, President of the Board of Sanitary Commissioners; and Nikki Grigsby, District Administrator.



Administration

300 N. High Street | Muncie, Indiana 47305 | Phone (765) 747-4863 | Fax (765) 747-4719

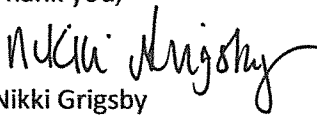
January 6, 2015

Examinations and Investigations
Indiana State Board of Accounts

Mrs. Heath,

The State Board of Accounts references code IC 36-1-12-18 applying to MSD. Since 2009 the MSD has been told this code does not apply to them by the respective auditors. It wasn't until October/November of 2014 that the MSD has been instructed this code will now apply. Also, the last sentence of the statute states "that if the change order was the result of circumstances that were not reasonably foreseeable at the time of the original bid", the change orders did not exceed the scope of the project and therefore Board approval was unnecessary.

Thank you,


Nikki Grigsby
District Administrator
Muncie Sanitary District



MUNCIE SANITARY DISTRICT
CITY OF MUNCIE
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
RCM Construction, Inc.:			
Trucking Charge, page 4	\$ 8,019.55	\$	\$
Paid by check, Receipt No. 2014-00009551		8,019.55	-
 Peter Drumm, former Attorney for the District:			
Delinquency Collections Not Remitted, page 4	7,292.76		
Paid by check, Receipt No. 2014-00009685		<u>7,292.76</u>	<u>-</u>
 Totals	<u>\$ 15,312.31</u>	<u>\$ 15,312.31</u>	<u>\$ -</u>

This report was forwarded to the Office of the Attorney General and the local prosecuting attorney.