

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

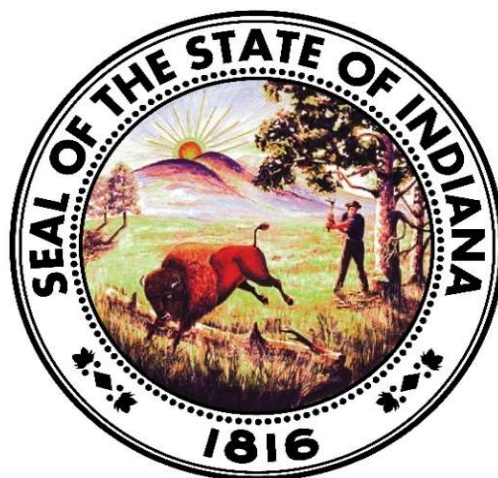
SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF MARION

GRANT COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED

09/05/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Julie Flores	01-01-22 to 12-31-23
Mayor	Jess Alumbaugh	01-01-22 to 12-31-23
President of the Board of Public Works and Safety	Alex Huskey Linda Wilk	01-01-22 to 12-31-22 01-01-23 to 12-31-23
President of the Common Council	Brian Cowgill Brad Luzadder Robin Fouce	01-01-22 to 06-07-22 06-08-22 to 12-31-22 01-01-23 to 12-31-23
Utility Office Director	John C. Binkerd	01-01-22 to 12-31-23
President of the Utility Service Board	Robert Logan	01-01-22 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to the audit report of the City of Marion (City), for the period from January 1, 2022 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with the Financial Statement Audit Report of the City, which provides our opinions on the City's financial statement. This report may be found at 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 Audit 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 Audit Results and Comments, incorporated within this report, was not verified for accuracy.

A handwritten signature in blue ink that reads "Beth Kelley".

Beth Kelley, CPA, CFE
Deputy State Examiner

August 17, 2023

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CITY CONTROLLER
CITY OF MARION

CITY CONTROLLER
CITY OF MARION
AUDIT RESULTS AND COMMENTS

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

Condition and Context

The accuracy of reporting required by federal and state agencies is facilitated by separation of grant funds. The City did not create separate funds for the Formula Grants for Rural Areas and Tribal Transit Program grant and the Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs grant.

Criteria

When funds are provided by the federal government either directly to a city or town or through a state agency for any program or project, the following procedures should be followed:

A separate Fund for each grant is required.

(Cities and Towns Bulletin and Uniform Compliance Guidelines, June 2020)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND DISBURSEMENTS

A similar comment also appeared in prior Reports B58765 and B60403, entitled *MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND DISBURSEMENTS*.

Condition and Context

We identified MVH Restricted fund disbursements for truck lease payments totaling \$80,014. These disbursements did not qualify as expenses for construction, reconstruction, and preservation of the City's highways.

Criteria

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The City had not established effective internal controls over the AFR information entered into Gateway, which resulted in the following errors:

CITY CONTROLLER
CITY OF MARION
AUDIT RESULTS AND COMMENTS
(Continued)

Debt Information

1. The principal due as of December 31, 2022, was understated for two debt issues in the amount of \$2,639,824, in total.
2. The principal due as of December 31, 2022, was overstated for four debt issues in the amount of \$445,726, in total.

Adjustments were proposed, accepted by the City, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report for the City.

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. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

CITY CONTROLLER
CITY OF MARION
EXIT CONFERENCE

The contents of this report were discussed on August 17, 2023, with Julie Flores, City Controller; Jess Alumbaugh, Mayor; Robin Fouce, President of the Common Council; Gary T. Fordyce, Sr., Common Council member; Mike Cline, Common Council member; and Von Jackson, Utility Service Board member.

CITY UTILITIES
CITY OF MARION

CITY UTILITIES
CITY OF MARION
AUDIT RESULT AND COMMENT

BANK ACCOUNT RECONCILIATIONS

Condition and Context

Bank account reconciliations were performed monthly during the audit period. However, an unreconciled variance of \$51,100 existed as of December 31, 2022. The total fund balances were higher than the adjusted bank balance.

Criteria

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CITY UTILITIES
CITY OF MARION
EXIT CONFERENCE

The contents of this report were discussed on August 17, 2023, with John C. Binkerd, Utility Office Director; Misty Humphries, Executive Assistant; Tiffany Snyder, Accounting Specialist; Douglas Carl, Utility Service Board member; Von Jackson, Utility Service Board member; Jayda Monterio, Utility Service Board member; Robin Fouce, President of the Common Council; Gary T. Fordyce, Sr., Common Council member; Mike Cline, Common Council member; Pat Pinkerton, Assistant Director for Engineering; and Robin Shrader, Assistant Director for Operations.