

**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, 2023 to December 31, 2023



**FILED**

09/21/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Craig Wright	01-01-23 to 12-31-24
Mayor	The Honorable Dan Ridenour	01-01-23 to 12-31-24
President of the Board of Public Works and Safety	Linda Gregory Ted Baker	01-01-23 to 12-31-23 01-01-24 to 12-31-24
President of the Common Council	Jeff Robinson Jerry Dishman	01-01-23 to 12-31-23 01-01-24 to 12-31-24
President of the Sanitary District Board	Stephen Brand	01-01-23 to 12-31-24



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

This report is supplemental to the audit report of the City of Muncie (City), for the period from January 1, 2023 to December 31, 2023. 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/](http://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.

Beth Kelley, CPA, CFE  
Deputy State Examiner

August 28, 2024

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CITY CONTROLLER  
CITY OF MUNCIE

CITY CONTROLLER  
CITY OF MUNCIE  
AUDIT RESULTS AND COMMENTS

**MONTHLY AND ANNUAL UPLOADS**

The same comment also appeared in prior Report 000000615S.

*Condition and Context*

Internal controls over monthly and annual uploads were insufficient to ensure compliance with upload requirements. The files and governmental unit information that are required to be uploaded monthly include the bank reconciliations, approved Common Council minutes, and the funds ledger, summarizing total receipts, disbursements, and balances by fund. Monthly uploads were not uploaded timely for several months including the following:

- Bank statements, bank reconciliations, and funds ledgers were uploaded late for the following months: February through June and November.
- Common Council minutes were uploaded late for the following months: January through July.

Annual upload requirements include the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report. None of the annual uploads required were uploaded timely.

The City did not comply with the State Examiner Directive and failed to upload all of the monthly and annual files on the Indiana Gateway for Government Units financial reporting system timely for 2023.

*Criteria*

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit.

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients.

(Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

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)

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:

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

"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. . . ."

**APPROPRIATIONS**

The same comment also appeared in prior Reports B53304, B56237, B57618, B60455, and 000000615S.

*Condition and Context*

Internal controls over appropriations were insufficient to ensure compliance with Indiana Code. For 2023, disbursements exceeded the amounts budgeted for the following funds:

Fund	Years	Excess Amount Expended
General	2023	\$ 220,755
Local Road & Street	2023	261,260
Motor Vehicle Highway & Restricted	2023	789,658
Park	2023	209,889
Economic Development Income Tax	2023	153,529

*Criteria*

Indiana Code 36-4-8-2 states in part:

". . . Unless a statute provides otherwise, the fiscal officer may draw a warrant against a fund of the city only if:

- (1) an appropriation has been made for that purpose and the appropriation is not exhausted; . . ."

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:

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

**MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND**

The same comment also appeared in prior Reports B60455 and 000000615S.

*Condition and Context*

Internal controls over the Motor Vehicle Highway (MVH Restricted fund expenditures were insufficient to ensure compliance with Indiana Code.

- The City used the incorrect fund numbers for the Motor Vehicle Highway (MVH) (220) and the MVH Restricted (218) funds.
- The City failed to post at least 50 percent of funds received from the State Motor Vehicle Highway account to the Motor Vehicle Highway (MVH) Restricted fund as required for the year 2023. June, July, and August distributions, totaling \$608,256, were posted 100 percent to the Motor Vehicle Highway fund, causing the Motor Vehicle Highway Restricted fund to be understated by \$304,128.

The Motor Vehicle Highway Restricted fund was incorrectly used to pay for employee expenses related to signal electricians and sign crews, paint and sign materials, signal equipment, tree removal expenses, striping and road marking expenses, health insurance, employee uniforms, and equipment rather than for construction, reconstruction, and preservation of the City's highways.

*Criteria*

Indiana Code 8-14-1-5(c) states: "Except as provided in subsection (d), 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."

The purpose of this Directive is to authorize and require counties, cities, and towns that receive distributions from the State Motor Vehicle Highway Account to **create a new sub-fund within the MVH Fund** to properly manage and account for the usage restrictions that were included in House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018.

The sub-fund will be referred to throughout this Directive as "MVH Restricted" and will be used to account for MVH monies which have been statutorily restricted for construction, reconstruction, and preservation purposes.

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted.

(State Examiner Directive 2018-2)

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:

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CITY OF MUNCIE  
AUDIT RESULTS AND COMMENTS  
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**ANNUAL FINANCIAL REPORT**

The same comment appeared in prior Report 000000615S.

*Condition and Context*

Financial, supplemental, 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:

*Financial Data*

- The City Court fund financial information was omitted, which understated beginning cash and investment balance, receipts, disbursements, and ending cash and investment balance by \$116,370; \$1,256,875; \$1,235,312; and \$137,933, respectively.
- The Regions Taxable EDRB Series 2011 fund financial information was omitted, which understated receipts and disbursements by \$5,816 each.
- The Regions RDA 2014 Revenue fund financial information was omitted, which understated the beginning cash and investment balance, receipts, disbursements, and ending cash and investment balance by \$598,963; \$1,189,685; \$1,788,614; and \$34, respectively.
- The Regions RDA 2014 Lease fund financial information was omitted, which understated the beginning cash and investment balance, receipts, disbursements, and ending cash and investment by \$57; \$1,784,115; \$1,780,751; and \$3,421, respectively.
- The ARP Coronavirus Local Fiscal Rec fund receipts and disbursements were each understated by \$73,550.

Adjustments were proposed, accepted by the City, and made to the financial statement and the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the City.

*Grants*

- The Economic Adjustment Assistance was understated by \$495,832.
- The Crime Victim Assistance was overstated by \$20,000.
- The Public Safety Partnership and Community Policing Grants was overstated by \$31,154.

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

- The State and Community Highway Safety was understated by \$57,966.
- The Crime Victim Compensation was omitted for an understatement of \$1,215.
- The Highway Planning and Construction was omitted for an understatement of \$171,633.
- The Minimum Penalties for Repeat Offenders for Driving While Intoxicated was omitted for an understatement of \$22,000.
- The COVID-19 - Coronavirus State and Local Fiscal Recovery Fund was omitted for an understatement of \$4,980,490.
- The Disaster Grants - Public Assistance (Presidentially Declared Disasters) was omitted for an understatement of \$250,565.
- The Multiple federal grantor agencies, pass-through entities, award names, and other identifying numbers were incorrect.

Adjustments were proposed, accepted by the City, and made to the Schedule of Expenditures of Federal Awards presented in the Federal Compliance Audit Report of the City.

*Leases and Debt*

The debt information presented in Gateway contained the following errors:

- There were ten leases that were omitted, causing lease payments to be understated by \$635,679.
- There were four debt issues that were omitted, causing debt to be understated by \$25,657,022 and principal due with one year to be understated by \$732,276.
- Other reported debt ending balances were understated by \$1,723,786, and reported principal due with one year was understated by \$11,176.

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 of the City.

*Criteria*

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 as set forth in the uniform compliance guidelines. 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](#)."

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:

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AUDIT RESULTS AND COMMENTS  
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**FINANCIAL TRANSACTIONS AND REPORTING**

The same comment also appeared in prior Report 000000615S.

*Condition and Context*

*Receipts*

The City had not established a system of internal controls that separated incompatible activities or ensured receipts were timely and accurately recorded in the City's fund ledger. The same individual entered numerous receipts into the accounting system and prepared the bank reconciliations. Additionally, no documentation was presented for audit to indicate posted receipts were subject to a review or approval process to ensure accurate posting to the ledger.

*Financial Close and Reporting*

Financial, supplemental, and other information is required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system, which is the source of the City's financial statement. Although the Deputy City Controller reviewed the information entered into the Gateway and the City Controller submitted the AFR, the internal control was not effective and did not detect and allow correction of errors prior to submission.

Due to the lack of internal controls, the following errors occurred:

- The City Court fund financial information was omitted, which understated beginning cash and investment balance, receipts, disbursements, and ending cash and investment balance by \$116,370; \$1,256,875; \$1,235,312; and \$137,933, respectively.
- The Regions Taxable EDRB Series 2011 fund financial information was omitted, which understated receipts and disbursements by \$5,816 each.
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- The ARP Coronavirus Local Fiscal Recovery fund receipts and disbursements were each understated by \$73,550 each.

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

Adjustments were proposed, accepted by the City, and made to the financial statement and the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the City.

*Criteria*

Indiana Code 5-13-5-1(a) states:

"Every public officer who receives or distributes public funds shall:

- (1) keep a cashbook into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cashbook daily to show funds on hand at the close of each day."

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 as set forth in the uniform compliance guidelines. 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](#)."

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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. . . ."

"The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

CITY CONTROLLER  
CITY OF MUNCIE  
EXIT CONFERENCE

The contents of this report were discussed on August 28, 2024, with Craig Wright, City Controller; The Honorable Dan Ridenour, Mayor; Dale Basham, Common Council member; Stephen Brand, President of the Sanitary District Board; and Matt Wagley, Deputy City Controller.

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MAYOR  
CITY OF MUNCIE

MAYOR  
CITY OF MUNCIE  
AUDIT RESULT AND COMMENT

**RECORD OF HOURS WORKED**

The same comment also appeared in prior Reports B60455 and 000000615S.

*Condition and Context*

In 2021, the Mayor contracted with a full-time City employee to "provide general administration, management of Prairie Creek Reservoir, grant writing, aid in park development, oversee the Mayor's initiatives, and other consulting services to the City and all departments of the City as needed and directed by the Mayor of Muncie." The contract specified the City will provide office space, internet, and telephone access, as needed, Monday through Friday from 8:00 a.m. until 4:00 p.m., plus an email account, and access to a computer and copy machine. The contract specified the individual is a contract consultant of the City who is not entitled to any City employee benefits, specified a monthly payment of \$2,000 per month, and specified for the period of January 1, 2021 through December 31, 2023, with any modifications to be made in writing and signed by all parties. In May 2023, the City ended that contract and contracted with Greenlight Resources who employed the former grant administrator and current employee to perform the grant administration work.

The contract included language regarding duties already being performed as a City employee, did not include a provision for a record of hours worked to be provided, and did not specify the work to be performed outside of the employee's normal work hours, which are 8:00 a.m. to 4:00 p.m. Monday through Friday. The employee's timecard shows eight hours per day worked for the City, but not the actual time hours and no record of hours worked was provided for the consulting work. As a result, there was insufficient documentation to determine when the individual worked for the City and as a consultant. This individual was paid \$53,777 as a full-time City employee plus \$15,000 as a consultant.

In 2022, the consultant payment increased to \$2,500 a month with no written amendment provided, and this individual has been paid a minimum of \$1,851 per pay period plus overtime as a full-time City employee for six months, January through June of 2023.

MAYOR  
CITY OF MUNCIE  
AUDIT RESULT AND COMMENT  
(Continued)

*Criteria*

Indiana Code 5-11-9-4(b) states:

"The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees:

- (1) covered by section 1 or 2 of this chapter; and
- (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency described in section 1 or 2 of this chapter."

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employee's Service Record  
General Form 99B, Employee's Earnings Record  
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

MAYOR  
CITY OF MUNCIE  
EXIT CONFERENCE

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