

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF MUNCIE

DELAWARE COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED
09/23/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Kevin Nemyer	01-01-18 to 12-31-19
Mayor	Dennis Tyler	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	John Quirk Roger Overbey	01-01-18 to 12-31-18 01-01-19 to 12-31-19
President of the Common Council	Douglas Marshall	01-01-18 to 12-31-19
President of the Sanitary District Board	William Smith	01-01-18 to 12-31-19



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the City of Muncie (City), for the year ended December 31, 2018, and the related notes to the financial statement, which collectively comprise the City's financial statement and have issued our report thereon dated August 28, 2019, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001 to be significant deficiencies.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-002.

City of Muncie's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

August 28, 2019



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Muncie's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. Except as discussed below, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on Economic Development Cluster

As described in items 2018-003 and 2018-004 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting compliance of the City with the Economic Development Cluster regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Reporting. Consequently, we were unable to determine whether the City complied with those requirements applicable to the program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Qualified Opinion on Economic Development Cluster

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Economic Development Cluster* paragraph the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Economic Development Cluster for the year ended December 31, 2018.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2018.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2018-003, 2018-004, 2018-005, and 2018-006, that we consider to be material weaknesses.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statement of the City, as of and for the year ended December 31, 2018, and the related notes to the financial statement. We issued our report thereon dated August 28, 2019, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.

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

August 28, 2019

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the City. The schedule and notes are presented as intended by the City.

CITY OF MUNCIE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Commerce</u>					
Economic Development Cluster Economic Adjustment Assistance Industrial Revolving Loan Fund	Direct Grant	11.307	06-19-01414	\$ -	\$ 2,975,075
Total - Economic Development Cluster				-	2,975,075
Total - Department of Commerce				-	2,975,075
<u>Department of Housing and Urban Development</u>					
CDBG - Entitlement Grants Cluster Community Development Block Grants/Entitlement Grants CD FY15 CDBG Program CD FY16 CDBG CD FY2017 CDBG Program	Direct Grant	14.218	B-15-MC-18-0010 B-16-MC-18-0010 B-17-MC-18-0010 B-18-MC-18-0010	- 155,346 106,435 -	130,898 410,934 529,453 87,549
Total - CDBG - Entitlement Grants Cluster				261,781	1,158,834
Home Investment Partnerships Program CD FY14 HOME Program CD FY15 HOME Program CD FY16 HOME Program CD FY2017 HOME Program CD FY13 HOME Program	Direct Grant	14.239	M-14-MC-18-0206 M-15-MC-18-0206 M-16-MC-18-0206 M-17-MC-18-0206 M-18-MC-18-0206	166,370.00 100,126.00 130,000.00 131,052.00 72,337.00	166,370 100,126 130,000 143,307 72,337
Total - Home Investment Partnerships Program				599,885	612,140
Total - Department of Housing and Urban Development				861,666	1,770,974
<u>Department of Justice</u>					
Edward Byrne Memorial Justice Assistance Grant Program MPD JAG 2016	Direct Grant	16.738	2017-DJ-BX-0562	11,797	13,108
Crime Victim Assistance MPD Victim Advocate 2016-2018	Indiana Criminal Justice Institute	16.575	03217WFAX005503	-	132,150
Violence Against Women Formula Grants MPD STOP Violence 15-16	Indiana Criminal Justice Institute	16.588	D3-18-12060	-	18,326
Bulletproof Vest Partnership Program MPD LEBG Safety/Bulletproof Vest	Direct Grant	16.607	1121-035	-	8,483
Total - Department of Justice				11,797	172,067
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction Local Road and Street Local Road and Street Local Road and Street Local Road and Street Local Road and Street	Indiana Department of Transportation	20.205	100633 800295 1592996 1173229 1600652	- - - - -	90,280 6,131 57,710 356,029 19,226
Total - Highway Planning and Construction				-	529,376
Recreational Trails Program	Indiana Department of Transportation	20.219	2018	-	10,039
Total - Highway Planning and Construction Cluster				-	539,415
Highway Safety Cluster State and Community Highway Safety MPD OPO 2018	Indiana Criminal Justice Institute	20.600	D3-18-11910	30,071	103,102
Alcohol Impaired Driving Countermeasures Incentive Grants I MPD DUI 2016-2017	Indiana Criminal Justice Institute	20.601	D3-17-11183	16,508	35,355
Total - Highway Safety Cluster				46,579	138,457
Total - Department of Transportation				46,579	677,872
<u>Department of Homeland Security</u>					
Staffing for Adequate Fire and Emergency Response (SAFER) Staffing for Adequate Fire and Emergency Response (SAFER)	Direct Grant	97.083	EMW-2014-FH-00344	-	116,487
Total - Department of Homeland Security				-	116,487
Total federal awards expended				\$ 920,042	\$ 5,712,475

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF MUNCIE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2018. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Calculation of Economic Adjustment Assistance Expenditures on the SEFA

The reported expenditures were calculated as follows in accordance with guidance by the grantor:

Revolving Loan Fund (RLF):	
Outstanding loans as of December 31, 2018	\$ 1,933,168
Cash and Investments as of December 31, 2018	648,724
Administrative expenses paid out of RLF income during 2018	49,293
Unpaid principal on loans written off during 2018	<u>450,000</u>
Subtotal	3,081,063
Calculation of Federal Participation Rate (FPR):	
Original grant	5,000,000
Original match (In-kind)	<u>178,000</u>
Subtotal	5,178,000
FPR - Original grant awarded divided by total including original match	<u>96.56%</u>
Expenditures reported on the SEFA	<u>\$ 2,975,075</u>

CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	yes
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Economic Development Cluster	Qualified
CDBG - Entitlement Grants Cluster	Unmodified
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	no

Section II - Financial Statement Findings

FINDING 2018-001

Subject: Financial Transactions and Reporting - Redevelopment Commission
Audit Findings: Significant Deficiency, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-002.

Condition and Context

The following Muncie Redevelopment Commission (Commission) funds were not properly recorded within the City's ledger by the City Controller:

CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- Redevelopment Commission
- City of Muncie Redevelopment Commission Parking Ga
- Economic Development Grant

For all fund activity except for the above Commission funds, receipts and disbursements were individually entered into the City's ledger. For the above Commission funds, each related bank statement activity is posted as one receipt for the total month's deposits and one disbursement for the month's debit activity. Deposits in transits, outstanding checks, and other potential reconciling items were not accounted for under this method.

Supporting documentation for the individual disbursements of the Commission were not included in the City's ledger, as was required for all other departments. The City had not established an internal control system to ensure that the Commission activity was properly accounted for within the City's ledger in the same manner as all other departments of the City.

The lack of controls and noncompliance were systemic issues throughout the audit period.

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. . . .

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. . . ."

13 CFR 307.13(b)(1) states: "Maintain adequate accounting records and source documentation to substantiate the amount and percent of RLF Income expended for eligible RLF administrative costs."

Indiana Code 36-4-10-2(c) states in part: "The city controller appointed under [IC 36-4-9-6](#) is the fiscal officer of each second class city . . ."

CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Indiana Code 36-4-10-5(b) states in part:

". . . The fiscal officer shall do the following:

- (1) Prescribe the form of reports and accounts to be submitted to the department.
- (2) Sign and issue all warrants on the city treasury.
- (3) Audit and revise all accounts and trusts in which the city is concerned.
- (4) Keep separate accounts for each item of appropriation made for each city department,
. . .
- (9) Manage the finances and accounts of the city . . ."

Indiana Code 36-7-14-8(b) states in part:

"The fiscal officer of the unit establishing a redevelopment commission is the treasurer of the redevelopment commission. . . . the treasurer has charge over and is responsible for the administration, investment, and disbursement of all funds and accounts of the redevelopment commission in accordance with the requirements of state laws that apply to other funds and accounts administered by the fiscal officer. . . ."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Cause

Management of the City had not established a proper system of internal control over the financial transactions and reporting of the Commission funds identified above.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected regarding the Commission funds identified above.

Recommendation

We recommended that the City establish a system of internal controls related to financial transactions and reporting of the Commission funds identified above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2018-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-001.

Condition and Context

The City had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the SEFA. One employee prepared and entered the federal award information entered into Gateway without evidence of a control in place to detect and correct errors prior to submission.

The SEFA contained the following errors:

1. The Economic Development Cluster expenditures were understated by \$341,051.
2. The CDBG - Entitlement Grants Cluster expenditures were understated by \$331,637. The amount reported as Passed Through to Subrecipient was overstated by \$444,777.
3. The Home Improvement Partnerships Program expenditures were understated by \$142,884. The amount reported as Passed Through to Subrecipient was understated by \$173,862.
4. The Edward Byrne Memorial Justice Assistance Grant Program expenditures were overstated by \$13,876. The amount reported as Passed Through to Subrecipient was overstated by \$15,187.
5. The Crime Victim Assistance grant expenditures were overstated by \$209,343. The amount reported as Passed Through to Subrecipient was overstated by \$418,694.
6. The Violence Against Women Formula Grants expenditures were overstated by \$33,375. The amount reported as Passed Through to Subrecipient was overstated by \$51,701.
7. The Bulletproof Vest Partnership Program expenditures were overstated by \$3,067. The amount reported as Passed Through to Subrecipient was overstated by \$11,550.
8. The Highway Planning and Construction Cluster expenditures were understated by \$447,157.
9. The Highway Safety Cluster expenditures were overstated by \$139,183. The amount reported as Passed Through to Subrecipient was overstated by \$248,421.
10. The Staffing for Adequate Fire and Emergency Response (SAFER) grant was overstated by \$26,447.
11. There were several instances in which the pass-through entity, program name, or project number were incorrect.

CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Audit adjustments were proposed, accepted by the City, and made to the SEFA.

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. . . .

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. . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within a cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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.

CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

The City's management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the City's management establish controls related to the preparation of the SEFA.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-003

Subject: Economic Development Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Federal Agency: Department of Commerce

Federal Program: Economic Adjustment Assistance

CFDA Number: 11.307

Federal Award Number and Year (or Other Identifying Number): 06-19-01414

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-003.

Condition and Context

An effective internal control system was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the compliance requirements of Activities Allowed or Unallowed and Allowable Costs/Cost Principles.

The City has an interlocal agreement between the Muncie Industrial Revolving Loan Fund (MIRLF) Board and a managing company to pay an unspecified amount to the managing company for administration of the grant. The City paid \$36,730 to the managing company in 2018 from grant funds. No supporting documentation was provided which specifies an amount to be paid in 2018 for administration of the grant. The interlocal agreement was signed by the MIRLF Board but was not dated and did not specify a percentage or dollar amount to be paid for the administration of the grant. The amount paid to the managing company without adequate supporting documentation is considered a questioned cost.

The lack of controls was a systemic issue throughout the audit period.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . .

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

13 CFR 307.13(b) states in part:

"*Administrative records.* RLF Recipients must at all time: . . .

(2) Retain records of administrative expenses incurred for activities and equipment relating to the operation of the RLF for three years from the actual submission date of the last semi-annual report that covers the Reporting Period in which such costs were claimed. . . ."

CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

OMB Circular A-87, Attachment A, section C(1) states in part:

"Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular. . . .
- j. Be adequately documented. . . ."

OMB Circular A-87, Attachment A, C(3)(a) states: "A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

Cause

Management of the City had not designed or implemented internal control procedures to ensure compliance with the compliance requirements listed above. The City did not have controls in place to ensure that adequate documentation was available for expenditures of grant funds.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirements could have resulted in the loss of federal funds to the City.

Questioned Costs

Known questioned costs of \$36,730 were identified as detailed in the *Condition*.

Recommendation

We recommended that the City's management establish controls to ensure compliance and comply with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2018-004

Subject: Economic Development Cluster - Reporting
Federal Agency: Department of Commerce
Federal Program: Economic Adjustment Assistance
CFDA Number: 11.307
Federal Award Number and Year (or Other Identifying Number): 06-19-01414
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-004.

Condition and Context

An effective internal control system was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. The City did not have controls in place to ensure that supporting documentation was maintained for reports that were submitted.

The City did not comply with the reporting requirements that supporting documents be maintained per the grant agreement and program regulations. No supporting records were maintained for the ED-209- Revolving Loan Fund Semi-Annual Financial Report.

The lack of internal controls and the noncompliance were systemic issues throughout the audit period.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . .

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

13 CFR 307.14 states:

"(a) Frequency of reports. All RLF Recipients, including those receiving Recapitalization Grants for existing RLFs, must complete and submit an RLF report, using Form ED-209, in a format and at a frequency as required by EDA.

(b) Report contents. RLF Recipients must certify as part of the RLF report to EDA that the RLF is operating in accordance with the applicable RLF Plan and that the information provided is complete and accurate."

Cause

Management of the City had not designed or implemented internal control procedures to ensure compliance with the Reporting compliance requirement of the program.

Effect

The failure to establish effective internal controls enabled material noncompliance to go undetected, which could have resulted in the loss of federal funds to the City.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish controls and comply with the grant agreement and Reporting compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2018-005

Subject: Economic Development Cluster - Special Tests and Provisions -
Increases to RLF Capital Base and Capital Utilization

Federal Agency: Department of Commerce

Federal Program: Economic Adjustment Assistance

CFDA Number: 11.307

Federal Award Number and Year (or Other Identifying Number): 06-19-01414

Compliance Requirement: Special Tests and Provisions - Increases to RLF
Capital Base and Capital Utilization

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior year finding number was 2017-006.

CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

An effective internal control system was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Increases to RLF Capital Base and Capital Utilization compliance requirement. The Director of Business Development for the managing company was the sole person responsible for the determination of increases to the revolving loan fund capital base and capital utilization. There was no oversight, review, approval, or other process in place to ensure that the necessary calculations were performed.

The lack of controls was a systemic issue throughout the audit period.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . .

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management of the City had not designed or implemented internal control procedures to ensure compliance with the Special Tests and Provisions - Increases to RLF Capital Base and Capital Utilization compliance requirement.

Effect

The failure to establish an effective internal control system placed the City at risk of noncompliance with the grant agreement and the compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish controls related to the grant agreement and the Special Tests and Provisions - Increases to RLF Capital Base and Capital Utilization compliance requirement.

CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2018-006

Subject: CDBG - Entitlement Grants Cluster - Subrecipient Monitoring, Reporting

Federal Agency: Department of Housing and Urban Development

Federal Program: Community Development Block Grants/Entitlement Grants

CFDA Number: 14.218

Federal Award Numbers and Years (or Other Identifying Numbers): B-15-MC-18-0010,
B-16-MC-18-0010,
B-17-MC-18-0010,
B-18-MC-18-0010

Compliance Requirements: Subrecipient Monitoring, Reporting

Audit Finding: Material Weakness

Condition and Context

The City had not designed or implemented adequate policies or procedures to ensure that the HUD 60002 Section 3 Summary Report, Economic Opportunities for Low-and Very Low-Income Persons report (Section 3 Summary Report) was accurately prepared and submitted for the audit period.

Subrecipient Monitoring procedures were conducted by the City in accordance with the requirements; however, there were no control procedures in place to ensure proper completion of the monitoring reports that were prepared.

The lack of controls was a systemic issue throughout the audit period.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . .

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

The City's management had not implemented a system of internal controls to ensure compliance with the grant agreement and the Reporting and Subrecipient Monitoring compliance requirements.

Effect

The failure to implement an effective internal control system placed the City at risk of noncompliance with the grant agreement and the Reporting and Subrecipient Monitoring compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish a system of internal controls to ensure compliance with the Reporting and Subrecipient Monitoring compliance requirements.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the City. The documents are presented as intended by the City.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-001 – Preparation of the Schedule of Expenditures of Federal Awards

Fiscal year: 2017
Auditee Contact Person: Kevin Nemyer
Title of Contact Person: Controller
Contact Phone Number: (765)747-4828

Status of Audit Finding: SEFA preparation procedures are needed to ensure accuracy and completeness

The Department Heads and/or those responsible for providing data for the preparation of the SEFA will be notified of the errors and omissions contained within their information. We will require that all information needed for the SEFA preparation be checked by another individual, for accuracy and completeness.

FINDING 2017-002 – Financial Transactions and Reporting of Redevelopment Commission

Fiscal year: 2017
Auditee Contact Person: Kevin Nemyer
Title of Contact Person: Controller
Contact Phone Number: (765)747-4828

Status of Audit Finding: Revised financial transactions and reporting procedures need to be implemented

The Muncie Redevelopment Commission funds will be entered into the City's ledger in the same manner as all other departments, and an internal control system will be established to ensure accuracy of MRC financial transactions.

***FINDING 2017-003 – Economic Development Cluster – Activities Allowed or Unallowed,
Allowable Costs/Cost Principles***

Fiscal year: 2017
Auditee Contact Person: Kevin Nemyer
Title of Contact Person: Controller
Contact Phone Number: (765)747-4828

Federal Agency: Department of Commerce
Federal Program: Economic Adjustment Assistance
CFDA Number: 11.307
Federal Award Number: 06-19-01414

Status of Audit Finding: Procedures ensuring proper compliance are needed

Internal controls to ensure compliance and comply with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements, namely, proper documentation accompanying invoices and salary claims, will be implemented.

FINDING 2017-004 – Economic Development Cluster – Reporting

Fiscal year: 2017
Auditee Contact Person: Kevin Nemyer
Title of Contact Person: Controller
Contact Phone Number: (765)747-4828

Federal Agency: Department of Commerce
Federal Program: Economic Adjustment Assistance
CFDA Number: 11.307
Federal Award Number: 06-19-01414

Status of Audit Finding: Procedures ensuring proper compliance are needed.

A system of internal controls will be put in place to ensure grant agreement compliance and with the reporting compliance requirement. Education (or re-education) and training of those employees involved in the City's grant process will be conducted, also.

***FINDING 2017-005 – Economic Development Cluster – Special Tests and Provisions-
Loan Requirements***

Fiscal year:	2017
Auditee Contact Person:	Kevin Nemyer
Title of Contact Person:	Controller
Contact Phone Number:	(765)747-4828
Federal Agency:	Department of Commerce
Federal Program:	Economic Adjustment Assistance
CFDA Number:	11.307
Federal Award Number:	06-19-01414
Status of Audit Finding:	Procedures ensuring proper compliance have been implemented.

An internal control system to ensure compliance and comply with the grant agreement Compliance requirement and with the Special Tests and Provisions – Loan requirements compliance requirement has been implemented, including maintaining bank turn-down letters, loan applications and board meeting minutes.

***FINDING 2017-006 – Economic Development Cluster – Special Tests and Provisions-
Increases to RLF Capital Base and Capital Utilization***

Fiscal year:	2017
Auditee Contact Person:	Kevin Nemyer
Title of Contact Person:	Controller
Contact Phone Number:	(765)747-4828
Federal Agency:	Department of Commerce
Federal Program:	Economic Adjustment Assistance
CFDA Number:	11.307
Federal Award Number:	06-19-01414
Status of Audit Finding:	A system of review and oversight will be established to ensure compliance

An internal control system of review and oversight to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions – Increases to RFL Capital Base and Capital Utilization will be into place. In addition, education (or re-education) and training of those employees involved in the City's award process will be conducted.

FINDING 2017-007 – CDBG – Entitlement Grants Cluster – Internal Controls

Fiscal year:	2017
Auditee Contact Person:	Kevin Nemyer
Title of Contact Person:	Controller
Contact Phone Number:	(765)747-4828
Federal Agency:	Department of Housing and Urban Development
Federal Program:	Community Development Block Grants/ Entitlement Grants
CFDA Number:	14.218
Federal Award Number:	B-14-MC-18-0010, B-15-MC-18-0010, B-16-MC-18-0010, B-17-MC-18-0010
Status of Audit Finding:	A system of internal control has been designed

For the 2017 fiscal year, the City implemented a system of internal control designed to ensure review and approval of reports. This includes shared responsibility within the Depart of Community Development.

FINDING 2017-008 – CDBG – Entitlement Grants Cluster – Procurement and Suspension and Debarment

Fiscal year:	2017
Auditee Contact Person:	Kevin Nemyer
Title of Contact Person:	Controller
Contact Phone Number:	(765)747-4828
Federal Agency:	Department of Housing and Urban Development
Federal Program:	Community Development Block Grants/ Entitlement Grants
CFDA Number:	14.218
Federal Award Number:	B-14-MC-18-0010, B-15-MC-18-0010, B-16-MC-18-0010, B-17-MC-18-0010
Status of Audit Finding:	Use of procurement policy 24 CFR 570

The Office uses procurement policy 24 CFR 570 and abbreviated below, for all construction projects. Construction projects are any physical project over \$5000.

1. Run notice for bidders in the local newspaper two consecutive Fridays.
2. Hold pre-bid conference Wednesday after the second Friday of the notice.
3. Bids are due to the Clerk's office prior to the opening day which is 8:45 on Wednesday mornings.

4. The Board of Public Works administrator picks up the bids prior to that Wednesday's Board of Public Works meeting and takes them to the meeting to be opened publicly.
5. Competitive bids are opened publicly at the Board of Public Works meeting. A brief description of the project is provided. The bidder's name, address and bid are read publicly.
6. Bids are always taken under advisement for the Board for at least one week (they only meet weekly) to ensure compliance with federal regulations.
7. The office returns to the next Board meeting to recommend a contract with the lowest bidder that has the capacity and was responsive.
8. Contract is signed by the Board if approved.

The most responsive bidder is determined by:

1. Completion of required bid documents.
2. Review of sam.gov to determine if bidder is debarred from federal action.
3. Review of bids to determine lowest.
4. Review of financial statement and Form 96 to review bidder's capacity.

The determination of debarment for a potential contractor or of the bidder is determined in two ways:

1. Review of sam.gov to determine if bidder is debarred from federal action.
2. Submission by the bidder of the Certificate of Debarment and Nonsegregated Facilities.

FINDING 2017-009 – Staffing for Adequate Fire and Emergency Response (SAFER) – Internal Controls

Fiscal year:	2017
Auditee Contact Person:	Kevin Nemyer
Title of Contact Person:	Controller
Contact Phone Number:	(765)747-4828
Federal Agency:	Department of Homeland Security
Federal Program:	Staffing for Adequate Fire and Emergency Response (SAFER)
CFDA Number:	97.083
Federal Award Number:	EMW-2014-FH-00344
Status of Audit Finding:	Grant no longer awarded to the City

The City is no longer eligible for this grant.

Kevin Nguyen
(Signature)

Controller
(Title)

8.27.2019
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



CORRECTIVE ACTION PLAN
Findings 2018-001 to 2018-006

FINDING 2018-001

Kevin Nemyer
(765)747-4828

Views of Responsible Official:

We concur with the finding. Although progress has been made in this area, by now recording Muncie Redevelopment Commission funds, more detail and supporting documentation is needed.

Description of Corrective Action Plan:

The City will establish a system of internal controls to ensure supporting documentation is required for Muncie Redevelopment Commission transactions, as is required for all other departments.

Anticipated Completion Date:

The above internal control system, and the supporting documentation requirement, will be implemented immediately.

FINDING 2018-002

Kevin Nemyer
(765)747-4828

Views of Responsible Official:

We concur with the finding. The City had no system of internal controls to prevent, detect and correct errors made in reporting federal award information into the Gateway system.

Description of Corrective Action Plan:

The City will establish a system of internal controls to ensure errors are prevented, detected, and corrected prior to federal award information being entered into the Gateway system. To facilitate this, the City will hire a new employee, whose primary responsibility will be the oversight of these grants.

Anticipated Completion Date:

The new employee will be hired as soon as feasible.

FINDING 2018-003

Kevin Nemyer
(765)747-4828

Views of Responsible Official:

We concur with the finding. No supporting documentation was provided that stated the amount or percentage to be paid by the Muncie Industrial Revolving Loan Fund to the company managing administration of the grant.

Description of Corrective Action Plan:

The City and the managing company will amend their inter-local agreement to include an exact amount, or percentage, to be paid by the MIRLF to the managing company for administration of the grant, to ensure compliance and comply with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Anticipated Completion Date:

The above action will be taken as soon as feasible.

FINDING 2018-004

Kevin Nemyer
(765)747-4828

Views of Responsible Official:

We concur with the finding. The City had no system of internal controls to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. No supporting reports were maintained for the MIRLF Semi-Annual Report.

Description of Corrective Action Plan:

The City will establish a system of internal controls to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement, and will maintain records to support the MIRLF Semi-Annual Report. These records will be maintained by the employee to be hired, as stated in the Corrective Action Plan for Finding 2018-002 above.

Anticipated Completion Date:

The new employee will be hired as soon as feasible.

FINDING 2018-005

Kevin Nemyer
(765)747-4828

Views of Responsible Official:

We concur with the finding. The City had no system of internal controls to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions: Increases to RLF Capital Base and Capital Utilization compliance requirements.

Description of Corrective Action Plan:

The City will establish a system of internal controls to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions: Increases to RLF Capital Base and Capital Utilization compliance requirements. This internal control system will provide for the separation of duties. The employee to be hired, as stated in the Corrective Action Plan for Finding 2018-002 above, will be responsible for the oversight, review, and approval of necessary calculations for the determination of increases to RLF capital base and capital utilization.

Anticipated Completion Date:

The new employee will be hired as soon as feasible.

FINDING 2018-006

Kevin Nemyer
(765)747-4828

Views of Responsible Official:

We concur with the finding. There was no system of internal controls to ensure compliance with the Reporting and Subrecipient Monitoring compliance requirements.

Description of Corrective Action Plan:

A system of internal controls has been created to ensure compliance with the Reporting and Subrecipient Monitoring compliance requirements. The internal control provides a designated space for dual

signatures. This will ensure Subrecipient Monitoring requirements are met, and the Section Three Report is filed with an oversight and approval process.

Anticipated Completion Date:

The internal control system is now in place.

Kevin Nguyen
(Signature)

Controller
(Title)

8.28.2019
(Date)

OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.