

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

SPECIAL COMPLIANCE REPORT
OF

BUILDING DEPARTMENT
CITY OF MARION
GRANT COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
10/11/2019

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This is a special compliance report for the City of Marion (City), for the period January 1, 2017 to December 31, 2017, and is in addition to any other report for the City as required under Indiana Code 5-11-1. All reports pertaining to the City may be found at www.in.gov/sboa/.

We performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts and were limited to records associated with Building Department receipts. The 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 Results and Comments, incorporated within this report, was not verified for accuracy.

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

August 27, 2019

BUILDING DEPARTMENT
CITY OF MARION
RESULTS AND COMMENTS

UNTIMELY REMITTANCE OF RECEIPTS

During the period January 1, 2017 to June 30, 2017, 38 checks collected in the Building Department were held anywhere from 21 to 110 days before being remitted to the City Controller. Also during this period, 16 remittances indicated the Building Department held collections exceeding \$500 for 5 days or more.

Indiana Code 5-13-6-1 states in part:

". . . (d) Except as provided in subsection (g), a city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories:

- (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and
- (2) approved as depositories of state funds

(g) The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500):

- (1) An office of the legislative branch of state government.
- (2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee.
- (3) A city or a town required to deposit funds under subsection (d).

However, the funds on hand must be deposited not later than the business day following the day that the funds exceed five hundred dollars (\$500)."

RECEIPTS

Collection reports submitted by the Building Department to the City Controller were insufficient to determine if all collections were received and recorded in the records. The collection reports did indicate the Building Department receipt numbers, but copies of receipts were not remitted to the City Controller to support the collection reports.

Collections from the Planning Department were recorded in the Building Department receipt books, but the collections were reported and remitted to the City Controller separately.

BUILDING DEPARTMENT
CITY OF MARION
RESULTS AND COMMENTS
(Continued)

Tickets, goods for sale, billings, and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the unit. The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payers. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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)

INTERNAL CONTROLS

There was a lack of oversight and monitoring related to Building Department collections. Building Department receipt numbers were not included on the reports of collections to ensure all receipts were reported. Furthermore, separate receipt books were not used for Building Department and Planning Department collections, which were reported and remitted separately to the City Controller.

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 the 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. . . ."

BUILDING DEPARTMENT
CITY OF MARION
EXIT CONFERENCE

The contents of this report were discussed on August 27, 2019, with Jerry Foustnight, Building Commissioner; Julie Flores, City Controller; Jess Alumbaugh, Mayor; Michael Flynn, Chief of Staff; Alan Miller, President of the Common Council; and Deborah Cain, Common Council member.