

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

SPECIAL COMPLIANCE REPORT
OF

ANIMAL CARE AND CONTROL
CITY OF MARION
GRANT COUNTY, INDIANA

January 1, 2016 to September 30, 2018



FILED
10/11/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Transmittal Letter	2
Animal Care and Control:	
Results and Comments:	
Estimated Receipts Not Remitted to Controller	3
Direct Payments Made.....	3-4
Receipts	4
Untimely Remittance of Receipts	4
Approval of Fees	5
Internal Controls.....	5
Exit Conference	6



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, 2016 to September 30, 2018, 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 the Marion Animal Care and Control Department (MACC) revenues. 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

ANIMAL CARE AND CONTROL
CITY OF MARION
RESULTS AND COMMENTS

ESTIMATED RECEIPTS NOT REMITTED TO CONTROLLER

The MACC maintained records of all animals taken in at the shelter and the disposition of those animals in a shelter computer software program. The computer software assigned a sequential number to each animal entered into the system.

Using the reports from the shelter computer software, calculations were made of estimated collections that should have been remitted and recorded by the City after deducting for amounts remitted to vendors as follows:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Totals</u>
Estimated collections	\$ 26,180	\$ 27,750	\$ 12,380	\$ 66,310
Less: Collections paid directly to vendors	<u>(4,875)</u>	<u>(5,911)</u>	<u>(5,625)</u>	<u>(16,411)</u>
Net estimated collections	21,305	21,839	6,755	49,899
Less: Receipts for services per the City Controller	<u>(8,009)</u>	<u>(4,003)</u>	<u>(7,242)</u>	<u>(19,254)</u>
Estimated collections not remitted to the City Controller	<u>\$ 13,296</u>	<u>\$ 17,836</u>	<u>\$ (487)</u>	<u>\$ 30,645</u>

The shelter computer software allowed for the deletion of the sequential numbers assigned to animals (animal identification numbers). During the period examined, 688 animal identification numbers were deleted or missing, which were not considered when calculating the estimated collections. MACC employees indicated that animals were routinely deleted from the software due to duplication of entries, erroneous entries, or deaths. Documentation was not maintained to support the reason for the animal being deleted from the software.

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)

DIRECT PAYMENTS MADE

As noted in the schedule above, \$16,411 in MACC collections were paid directly to an on-site veterinarian as payment on account for services provided to shelter animals. This process circumvented required procedures for receipting, depositing, and disbursing funds.

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 5-13-6-1(c) states in part: ". . . Public funds deposited under this subsection shall be deposited in the same form in which they were received."

ANIMAL CARE AND CONTROL
CITY OF MARION
RESULTS AND COMMENTS
(Continued)

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

RECEIPTS

Insufficient records were maintained on collections for services provided, such as animal adoptions, return to owner, animal surrender, euthanasia, etc., to determine if all collections were received and recorded in the records. Receipts were either not issued or handwritten generic receipts were used, which did not provide for proper accountability. Detailed reports of collections, if available from the shelter computer software, were not prepared or maintained for audit.

Receipts shall be issued and recorded at the time of the transaction. (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)

UNTIMELY REMITTANCE OF RECEIPTS

On average collections from MACC were remitted to the City Controller 7 times per month in 2016, 3 times per month in 2017, and 6 times per month in 2018. Due to the lack of receipts and insufficient detail regarding MACC collections, it could not be determined if collections were remitted timely.

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)."

ANIMAL CARE AND CONTROL
CITY OF MARION
RESULTS AND COMMENTS
(Continued)

APPROVAL OF FEES

Based on inquiry of MACC employees, fees charged for animal adoptions were often reduced as part of a special promotion or waived entirely for city employees or relatives. No documentation was provided for audit that these reduced or waived fees were approved by the governing body.

Fees can only be collected as specifically authorized by law or properly authorized ordinance/resolution. When a fee is NOT specified by law, but instead through the use of an ordinance/resolution, sufficient authoritative reference should be maintained. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

INTERNAL CONTROLS

Internal controls had not been established to ensure collections were properly supported by receipts and the shelter computer software. Policies and procedures were not established regarding documentation to be maintained for corrections of errors and omissions in the shelter computer software. One person oversaw, monitored, and maintained the records for the animal shelter. There was no oversight or monitoring to gain a sufficient understanding of the processes, controls, and reports available from the shelter computer software.

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. . . ."

ANIMAL CARE AND CONTROL
CITY OF MARION
EXIT CONFERENCE

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